

REPORT

ON ASSESSING

PERFORMANCE MANAGEMENT SYSTEMS

IN SOUTH AFRICAN CALL CENTRES

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## ABSTRACT

The field of Performance Management is receiving more attention today than ever before. This is due to the fact that many companies are becoming more and more frustrated by the 'disconnect' that exists between formulating their strategy and successful delivery against it. The aim of this research is to determine how performance is managed in organisations, but more importantly, how it should be managed. To this end, this research considers the total endeavour required to manage performance as a system, and wishes to contribute towards specifying how this system must 'hang together'. This research is conducted against the backdrop of the call centre industry in South Africa.

The call centre industry is an area of potential growth in South Africa and in need of evaluating and improving their performance results to meet or exceed the international benchmarks. This level of global pressure makes call centres an appropriate subject of analysis on a topic such as Performance Management.

The nature of this research was mostly exploratory, by firstly reviewing existing theory and literature relevant to this subject. Subsequent to this, two assessment instruments were used to assess the desired situation with regards to Performance Management Systems in South African call centres. The one instrument was developed as a result of the theory and literature reviewed during this research project (the PMSAI). Another, existing, instrument, the PMA®, (De Waal, 2004) was also used to provide a different view and provides an opportunity to triangulate this project. It also addresses the current status of Performance Management Systems in South African call centres to highlight shortcomings as a basis to review and improve these systems.

The main findings of this research are that a successful Performance Management System should take cognisance of a number of factors in- and outside of the organisation as well as the interplay between 'hard' and 'soft' elements in the system. Examples of these factors are the industry and focus of the organisation, as well as what the Performance Management System must be used for. Examples of 'hard' vs 'soft' elements are responsibilities for performance targets (hard) and the level of buy-in to achieve the targets ('soft'). In the end, a perfect 'answer' to Performance Management is elusive and is likely to remain so mainly due to the inherent complexity and level of variety that this system must cater for.

## DECLARATION OF OWN WORK

I, ASL Strydom declare that this project report is my own, unaided work. It is submitted in partial fulfilment of the requirements for the degree of Masters of Business Leadership at the Graduate School of Business Leadership, UNISA, Midrand. It has not been submitted before for any degree or examination in this or any other university.

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ASL Strydom

30 November 2005

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## LIST OF ABBREVIATIONS

ACD	:	Automatic Call Distributor
ISO	:	International Standards Organisation
IVR	:	Interactive Voice Response
GST	:	General Systems Theory
KPI	:	Key Performance Indicator
PMS	:	Performance Management System
SAEM	:	South African Excellence Model



# CHAPTER 1. ORIENTATION

## 1.1 INTRODUCTION

### 1.1.1 BACKGROUND

Performance Management is a multi-disciplinary, subject that over the past decade received increased attention from organisations that are eager to benefit from it in order to enhance their performance. According to Thorpe & Beasley (2004), this in turn, spurred academic interest in this field. Formal study on the subject is however divided in terms of the focus and agenda of research, the main area of divergence being the Human Resource Performance Management (performance management on an individual level) vs the perspective of Organisational Performance Management (performance for organisation as a whole).

The focus of performance management should, according to Deming (1982), be the performance of any individual judged in terms of his contribution to the aim of the system, not on his individual performance. In order to achieve this objective, performance must preferably be managed not on one level only, nor should it adopt a singular disciplinary focus. The aim of this study is therefore to view performance management holistically. Systems thinking and systems theory is an approach that is well suited for a holistic approach to performance management.

Systems theory and systems thinking was shaped by a wide spectrum of scholars including authors such as Ackoff, (1971) Von Bertalanffy (1950), Wiener (1948), Beer (1959) and Checkland (1991) who basically stated that a system can be seen as a grouping or set of objects with relationships between them. General systems theory heavily influenced the management sciences and organisational theories, using key concepts, in the systems vocabulary such as *element, relationship, boundary, input, transformation, output, environment, feedback, attribute, purpose, open system, homeostasis, emergence, communication, control, identity* and *hierarchy* (Jackson, 1991).

Call centres are an integral part of most industries today. They play an essential role in today's business world, and are often the primary source of contact between customers and the company (Miciak & Desmarais, 2001). When placed on the continuum of organisation types (Kast & Rosenzweig, 2001), call centres are regarded as mechanistic in nature. It is relatively easy with the technology available today to measure indicators of performance such as call-duration, wrap-up time, abandonment rate and speed-to-answer. For this reason the operational level indicators of performance in call centres are traced diligently, and performance management systems are implemented in almost all call centres down to agent (individual) level. The effects of globalisation gave rise to many international contact centre benchmarking reports where these measures are published and compared on a per country level, to assist many large corporations that consider outsourcing their contact centres to more cost-effective destinations. For this reason and because it is "easy" to measure, call

centres find it increasingly harder to avoid the so-called 'efficiency trap' whereby heavy focus is placed on efficiency measures as opposed to longer-term and more strategic measures, such as those needed to indicate performance on call centre development and external relations such as customer satisfaction.

If call centres want to manage their performance in order to ensure their contribution to value creation, management of these organisations must be empowered to make a judgement on how effective their performance management systems are.

### **1.1.2 RESEARCH QUESTION**

The primary research question in this study is:

- What is the best way to assess the effectiveness of a Performance Management System of a South African call centre?

In order to answer this question, one must first answer the following sub-questions:

- The performance of WHAT must be measured and managed in an organisation in order to be effective?
- WHEN must performance be measured / managed in order to be effective?
- HOW must the performance be managed (elements) in order to be effective?
- WHERE must performance management take place in order to be effective?
- The reason WHY performance must be managed in order to be effective?
- HOW WELL performance must be managed (behaviour) in order to be effective?

### **1.1.3 RESEARCH OBJECTIVES**

The primary objective of this research is to:

- Formulate and verify an instrument so that it can be used to assess the effectiveness of the Performance Management System of a South African call centre.

This translates into the following sub-objectives:

- Define the purpose of a Performance Management System
- Formulate a descriptive model based on best practice and consisting of components and its inter-relationships that are required by an effective Performance Management System.
- Translate and apply above system elements into an instrument for audit purposes.

#### **1.1.4 DELIMITATION OF THE STUDY**

The focus of the study is delimited to call centre operations in South Africa in the Gauteng province.

#### **1.1.5 IMPORTANCE OF THE STUDY**

South Africa is becoming an increasingly attractive destination for the outsourcing of call centres (International Marketing Council of South Africa, 2005). Traditionally India and the Philippines dominated this market, but as South Africa's telecommunications industry becomes more competitive, it will increasingly attract attention from the Western world due to its time-zone compatibility with Europe and high rates of fluency in English. Mr Thabo Mbeki, State President of South Africa, in his 2003 State of the Nation Address, declared call centres a target for growth in the micro-economic reform program of South Africa (Mbeki, 2003). The positive effects of South African call centres succeeding in the delivery of world-class service levels, are multitude. These include the creation of jobs on entry level, which is a critical issue in a country with very high levels of unemployment. This in turn, spurs academic interest in the South African call centre management endeavour and performance management in particular.

Effective performance management systems in South African call centres play an important role in the achievement of world class performance. Call centres are at the front-line in creating a favourable customer experience and are in some cases the *only* contact that an organisation has with its customers. Its performance is therefore critical to the image of an organisation (Black, 1998). A study by the Purdue University found that 92% of US customers base their opinion of a company on their experience with the company's call centre. It goes on to say that 63% of customers discontinue use of a company's products based on a negative call centre experience, a number that rises to 100% for consumers in the 18-25 age group (Delorey, 2003).

The mere presence of mechanistic performance management systems does not automatically imply superior management practice. A clear, holistic picture of components and their interrelationships found in effective performance management systems is required to achieve the ultimate goal of growth and value creation. This study hopes to fill this gap in the identification of characteristics of effective performance management systems in this area of current growth in South Africa.

#### **1.1.6 PROBLEM STATEMENT**

Performance management in call centres plays an important role to support the increase in focus on customer service delivery. (Marr & Neely, 2005). Call centres are referred to as the "sweatshops of the western world" and many feel that stopwatches dominate call centre performance. Modern day management best practices are easily forgotten, and call centres easily revert back to Taylorism and scientific management principles (see 1.1.7.12 below). Performance management is increasingly used as an instrument to engineer change by call

centre managers who are challenged to compete globally, drive down costs, increase revenues and build sustainable value.

To be without effective performance management is to be as Jim Zetwick, business systems director for Enabling Services, Borden Foods Corporation said, "Imagine a basketball game where nobody on the floor knows the score except the referees – until some point after the game is over, when the winner is announced". (Brown, & Gulycz, 2002).

The manager's dilemma is therefore not *if*, but rather *how* performance must be managed. This highlights the need for a clear, holistic definition of an effective Performance Management System as well as the means to objectively assess its health. In order to know how the Performance Management System must look and how it must act, one must start by defining and agreeing on its purpose - conceptualisation of any system must start with its purpose or its objective (Scoderbeck, Schoderbeck & Kefalas, 1980).

A plethora of definitions exist for a Performance Management System that depends on the angle from which this subject is approached, all of which are most probably accurate within their frame of reference. It can be referred to as a strategic management system such as the Balanced Scorecard or a set of tools and technology (e.g. software applications) as enabler of the management of performance, or the process of individual performance appraisal in the field of Human Resource Management. The impasse therefore that the South African call centre manager is faced with, is that he/she has to find a way through this bewildering maze of diverse disciplinary opinion in an attempt to integrate the "answer" into a neat whole - after having dealt with his own disciplinary comfort zone as point of departure.

It follows then that an as-simple-as-possible holistic benchmark for a Performance Management System will greatly reduce the management effort required to maximise the return on this important initiative. Alternatively it will help to prevent distortion in performance results due to ineffective performance management. It is a well-known phenomenon that *how* people are measured have a major effect on their behaviour and that measuring the *right* thing can have the *wrong* effect.

This research considers different definitions of performance management, in order to discover the elements of a Performance Management System, and how the elements should "hang together". Thereafter, the required components and their inter-related functions are formulated. This will lead to the establishment of a best-practice baseline to evaluate the status of any call-centre based Performance Management System.

### 1.1.7

#### DEFINITIONS

Listed below are definitions of some of the key concepts and/or departure points of this study. It is important to note that these definitions are proposed to be relevant within the context of this study, and are by no means the only ones, or even always the most concise way of defining these terms.

##### 1.1.7.1

###### Automatic Call Distributor

An Automatic Call Distributor (ACD) is a telephone facility that manages incoming calls and handles them based on the number called and an associated database of handling instructions. Many companies offering sales and service support use ACDs to validate callers make outgoing responses or calls, forward calls to the right party, allow callers to record messages, gather usage statistics, balance the use of phone lines, and provide other services. (SearchCRM, 2005)

##### 1.1.7.2

###### Call Centre / Contact Centre

A call centre is a physical or virtual operation within an organisation in which a managed group of people spend most of their time doing business by telephone, usually working in a computer-automated environment (Call Centre Association, 2005). Call centres have 'evolved' into 'contact' centres on the basis that they employ additional means of communication such as e-mail and the internet in the process of customer service delivery. According to a definition from the DTI report on the UK Contact Centre Industry, May 2004, a contact centre will be said to exist where ten or more people work exclusively, or for the majority of their time in a structured telephony environment (which may also involve electronic means of customer management) including either inbound or outbound operations. The operation will usually use an ACD (Automatic Call Distributor). (Call Centre Association, 2005)

##### 1.1.7.3

###### Hard Systems Methodology

"Also known as 'systems engineering' provides a methodology for tackling real-world problems in which an objective or end-to-be-achieved can be taken as a given. A system can then be engineered to achieve the stated objective." (Checkland, 1981:318).

##### 1.1.7.4

###### Interactive Voice Response (IVR)

A telephony technology in which someone uses a touch-tone telephone to interact with a database to acquire information from or enter data into the database. IVR technology does not require human interaction over the telephone as the user's interaction with the database is predetermined by what the IVR system will allow the user access to. For example, banks and credit card companies use IVR systems so that their customers can receive up-to-date account information instantly and easily without having to speak directly to a person. IVR technology is also used to gather information, as in the case of telephone surveys in which

the user is prompted to answer questions by pushing the numbers on a touch-tone telephone. (Webopedia, 2005)

1.1.7.5 Performance Measurement

The actions of evaluating performance of organisations, teams and individuals by means of interviews, questionnaires, audits, data analysis, and so on, in order to cast a verdict on the extent to which targeted performance was achieved.

1.1.7.6 Performance Management (1)

The ongoing process that involves the planning, reviewing, rewarding and development of performance (Spangenberg, 1994)

1.1.7.7 Performance Management (2)

According to De Waal (2001), Performance Management refers to the process that enables the organisation to deliver a predictable contribution to sustained value creation.

1.1.7.8 Performance Management (3)

Kaplan and Norton (1996) defines the Balanced Scorecard as a tool that translates an organisation's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system.

1.1.7.9 Performance Management (4)

The ability to anticipate needed changes in the strategic direction of the company, and to effect the changes. (Amarathunga & Baldry, 2002)

1.1.7.10 Performance Management (5)

Rogers (1990) characterises performance management as an integrated set of planning and review procedures which cascade down through the organisation in order to provide a link between the individual and overall strategy of the organisation.

1.1.7.11 Strategy

The strategy of an enterprise is the overall plan that coordinates the business and determines the strategic direction of the enterprise. It is a general coherent program of action that coordinates the separate functional areas towards the attainment of the mission.

1.1.7.12 Taylorism

Frederick Taylor (1856 – 1915) is commonly known as the father of scientific management. He and others such as Frank Gilbreth (1868 – 1934), Lillian Gilbreth (1878 – 1973) and Henry Gant (1861 – 1919) popularised the notion of efficiency. This meant getting the desired result with the least waste of time, effort, and materials. (Gaither & Frazier, 2002)

## CHAPTER 2. THEORETICAL FOUNDATION

### 2.1 SCOPE OF BODY OF KNOWLEDGE

It can be an ill-fated affair to attempt classification of organisation and management theory, but it can be said that most theories on these subjects have one of three philosophical points of departure: -

- Those with a focus on the structural, 'harder' side of the organisation,
- The others with a 'softer', behavioural or 'human' stance, and then
- Those proclaiming a holistic, integrated view.

Kast and Rosenzweig (1981) supported this view by highlighting that three different management models competed for precedence in organisation theory - the traditional approach, human relations theory and systems theory since the 1930's.

The traditional approach supported a mechanistic view of organisations and was based mainly on the scientific management theories of Taylor (1911), administrative management theories of Fayol (1916) and the bureaucracy theory of Weber (1947).

In stark contrast with the traditional approach, the human relations theories developed by theorists such as Herzberg (1959) and Maslow (1943), catered for the human side of organisations, and addressed issues such as leadership and individual motivation.

According to Jackson (1991) the systems approach started to dominate management theory since the 1960's because of its "obvious superiority". This is based on the fact that systems thinkers viewed organisations as whole systems made up of interrelated parts, and was not only focused on a single dimension. They saw the enterprise as an "open system" as opposed to the "closed" view of the traditional and human relation theories.

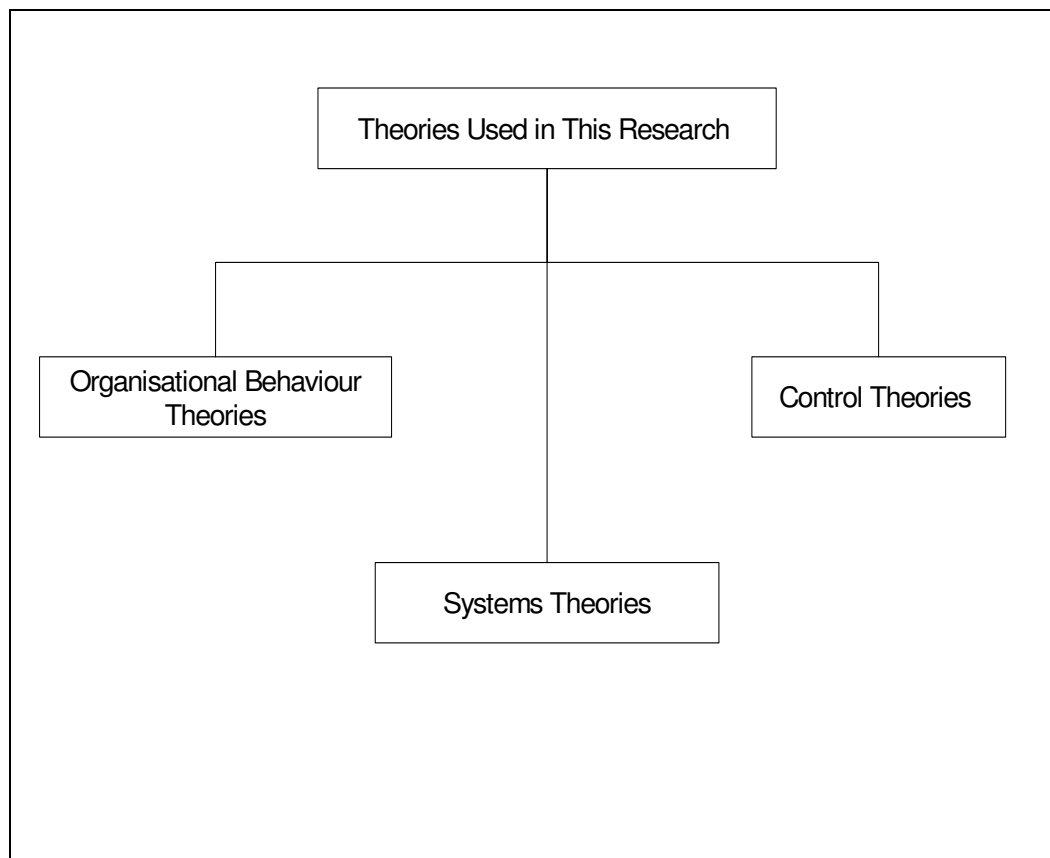
Performance management tends to borrow truths from all these bodies of knowledge as it is primarily concerned with aligning human effort and behaviour towards the holistic achievement of organisational strategy and intent. To this effect, it must get all the "noses to point in the same direction" (Flapper, Fortuin & Stoop, 1996) which means that it must enable the organisation to agree on tough targets between the individual and the organisation, and actions to be taken if these targets are not met. No one particularly likes to be confronted with his/her own failure but no business will survive if it is not prepared to face its own mistakes or under-performance. The performance management system has the, in some cases unfortunate, but primary function to report on progress (good and bad) against desired outcome and initiate appropriate action. It is therefore tied-up in an eternal balancing act between the hardness of structure and the sensitiveness of human nature.

It is therefore not surprising to find that theory on performance management is founded in theory of control *and* theory of behaviour. Management control theories dominated earlier research on this subject but reasoning found in behavioural theories soon influenced the more technical approach to accommodate the softer, more 'human' side (De Waal, 2002). To integrate these theories by means of systems thinking and systems theory then seems to be a logical next step by which diverse opinion can be integrated. This approach to theory development on performance management has already been attempted by scholars (Boland & Fowler, 2000). Analyses of these three different groups of theory were conducted as part of this research in an attempt to form a theoretical base for this study.

## 2.2 THEORIES TO BE USED

The main theories used as departure point in this research are outlined in **Figure 2-1** below.

**Figure 2-1: Theories Used in this Research**



### 2.2.1 Systems Theories

Systems theory and systems thinking was shaped by a wide spectrum of scholars, philosophers and scientists who basically agree that a system can be seen as a grouping of elements and the relationships between the elements in order to achieve a common purpose. Schoderbeck, Schoderbeck & Kefalas (1980) define a system as a set of objects together with relationships between the objects and between their attributes connected or



related to each other and to their environment in such a manner as to form an entirety or whole. This definition is commonly accepted.

Alongside the concept of systems theory the term systems approach is found. An approach is a way of going about tackling a problem; a systems approach (Schoderbeck et al, 1980) is an approach to a problem, which takes a broader view, which attempts to take all aspects into account, which concentrates on interactions between the different parts of the problem.

Another imperative attribute of a system is that it contains emergent properties. Emergent properties of a system are those properties that did not exist in the parts (of the system) but are found in the whole. (Weinberg,2001).

Churchman (1968) defined the objectives of a system as those ends or goals toward which the system tends. This fits in with the teleological characteristics of a system. He advises also that one must distinguish between the stated and real objectives of a system. Top-level objectives are translated into lower-level objectives through an objective-translation process for all levels of the enterprise.

Good objectives are specific, measurable, attainable, results-driven and time-framed (SMART) and lower-level objectives are aligned with higher-level objectives to obtain traceability. According to Churchman (1968), objectives must be quantifiable to be able to measure performance of a system.

#### 2.2.1.1

##### General Systems Theory (GST)

Umpleby and Dent (1999) described the GST as one of a few schools of thought that shaped and influenced the systems movement. They argue that the University of Michigan's Mental Health Research Institute (MHRI)'s drive to promote mental health set the tone for the development of GST by teaching people to think comprehensively about their interaction with each other and their environment. Some of the theorists whose works still contribute to systems thinking are those of James G. Miller (1978) who listed 19 critical subsystems of a system at each level and Anatol Rapoport who published *General Systems Theory* in 1986.

Ludwig Von Bertalanffy, who is regarded as the father of general system theory by many including Jackson (1991), established the notion of open systems which he derived from his insights in biology and then transferred to other disciplines. Katz and Kahn (1966) built on the work of the biologist Von Bertalanffy and defined nine characteristics of an open system:

- It imports energy from the external environment
- The system's input is put through and transformed
- Output of the system is exported to the environment
- Open systems act as cycles of events
- Negative entropy – open systems acquire more energy than what they use

- Information input and coding exist in open systems in order to take corrective action
- Steady state and dynamic homeostasis – despite continuous inflow and export of energy, the character of the open system stays the same
- Differentiation – open systems can evolve towards states of greater complexity and differentiation thereby reversing the law of entropy
- Equifinality – achieving the same end result from different initial conditions and different ways

In addition to the characteristics of open systems, Katz and Kahn (1966) developed five generic subsystems of an open system:

- Production and Technical Subsystem: This subsystem is concerned with converting inputs into outputs, the transfer function.
- Supportive Subsystem: Two major functions of concern here are : (a) procuring input and disposing output
- Maintenance Subsystem. Activities of this subsystem deal with personnel in the organisation in all facets (e.g. role, arrangements, recruiting, selecting, motivating, disciplining, and socialising). The focus is on maintaining stability of the organisation, conformance to roles.
- Adaptive Subsystem. The functions of this subsystem are designed to insure that the organisation is responsive to the environment (e.g. research, planning, development and so on).
- Managerial subsystem. The function of this subsystem is to direct, coordinate and control the other subsystems, settle conflicts among them and hierarchical levels, and relate the total organisation to its environment. This subsystem, cuts across all subsystems of the organisation in its goal to encourage all the subsystems to obtain a concerted effort to achieve the highest level of functioning of the total system.

#### 2.2.1.2

##### Theories on Cybernetics

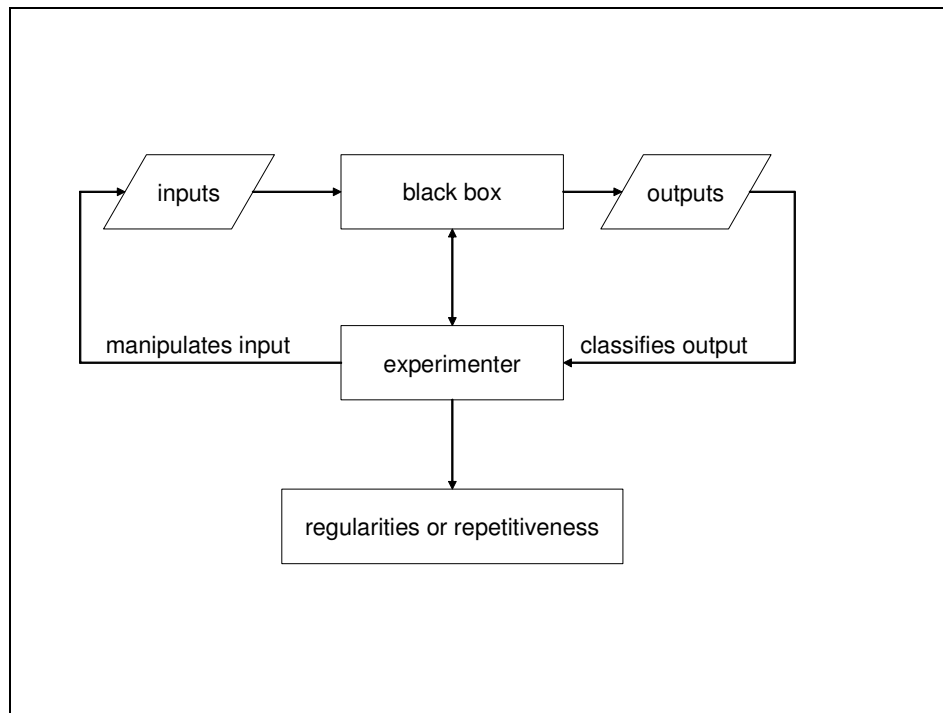
Also found in the domain of systems thinking is the field of cybernetics viewed as the science of control and communication. The term originated from the Greek word *kybernetes* that means “the art of steersmanship”. Management as control-component of the organisation is encountered in this field. Stafford Beer (1959) viewed management cybernetics as the activity that applies the findings of fundamental cybernetics to the domain of management control.

Stafford Beer argued that because cybernetics is the science of control, management might be described as the profession of control and there ought to be a topic called management cybernetics. Management cybernetics therefore is the activity that applies the findings of fundamental cybernetics to the domain of management control.

Cybernetics as theory applicable to the organisation, and the management thereof in particular, can readily be construed. Ashby (1964) stated in his highly acclaimed *An Introduction to Cybernetics* that cybernetics is a theory of machines but it investigates not the thing but its *ways of behaving*. The conceptual building blocks of cybernetics are:

- The black box - The black box technique shown below in **Figure 2-2** where systems, due to their considerable complexity cannot be examined in any precise or detailed manner, are called 'black boxes' with inputs that can be manipulated and outputs that can be observed.

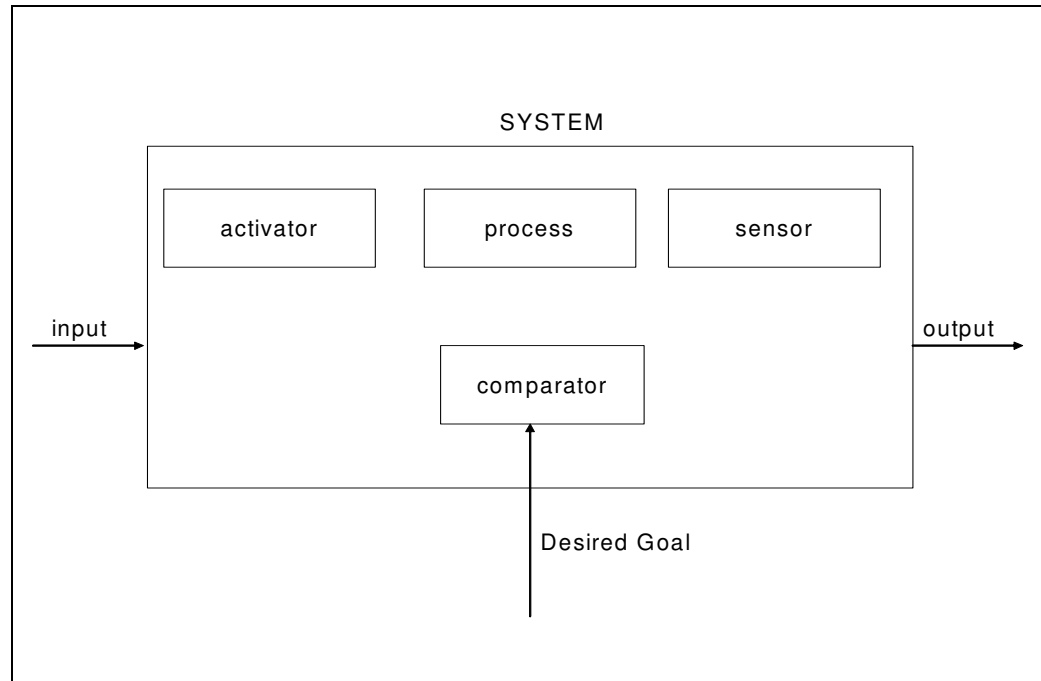
**Figure 2-2: The Black Box Technique (after Schoderbeck et al, 1985)**



- Negative feedback – of particular importance to this study is the concept of feedback and negative feedback in particular. Highly complex organisations can only be controlled through self-regulation, and by seeking to make organisations 'ultrastable' Beer (1981), as cited by Jackson (1991), stated that managers can pursue the goals for which the organisations was designed within variable environmental conditions. Wiener (1948) established that self-regulation could be achieved through the negative feedback mechanism implemented in a closed-loop feedback system as illustrated in **Figure 2-3** below. Managers achieve homeostasis by putting in place *appropriate negative feedback systems*. Homeostasis is achieved when a system retains its state in a changing environment by internal adjustments (Ackoff, 1971). Jackson (1991) added that managers must ensure that there is *rapid and continuous* comparison of actual performance against the goals and corrective action taking (emphasis added).

- Positive feedback, also called deviation amplifying, regulates the goal in relation to the output achieved, and is another option available to the manager.

**Figure 2-3 : A Closed-Loop Feedback System (after Jackson, 1991)**



- Variety Engineering – based on Ashby's "law of requisite variety" (Ashby, 1965) that states that only variety can destroy variety, managers can reduce external variety by effecting structure (divisions, functions, delegation), planning, and operational devices such as management by exception or amplify their own variety through structure (teamwork), augmentations (employing expert opinion) and information (e.g. MIS).

Management cybernetics is dominated by literature that treats organisations as mechanistic and organistic entities and thereby follows the 'hard' systems approaches such as systems engineering and is criticized by amongst others Jackson (1991) for being inherently conservative.

In contrast, organisational cybernetics does not dictate structure but rather organisation. Organisational cybernetics can be found in the Viable Systems Model (VSM) of Stafford Beer (1959) and Jackson (1991) describes it as the most developed and usable expression of organisational cybernetics. According to Beer (1959) a system is viable if it is able to maintain a separate existence in its environment. This depends on the realisation of five (related) functions. They are:

- Function 1: The primary activities or according to Espejo (1995) the execution of the system's *raison d'être*.

- Function 2: Coordination – sharing of resources and facilitation of interdependencies
- Function 3: Control – to ensure synergy and cohesion
- Function 4: Intelligence – scanning the environment for relevant developments and initiate adaptation
- Function 5: Policy – direction of the whole enterprise, the thinking part of the organisation.

With cybernetic reasoning, an organisation (as a complex whole), can be viewed as a purposeful control system. It feeds on the transmission of information (communication) and will attempt to self-regulate (achieve homeostasis) on certain critical variables (hopefully the desired key performance indicators of the organisation). Scoderbeck, Schoderbeck and Kefalas (1980) identified the following four basic elements of a control system:

- The control object or variable to be controlled
- A detector or scanning subsystem
- A comparator and
- An activator or action-taking sub-system

#### 2.2.1.3

##### Soft Systems Theory

Soft Systems Theory is defined by Peter Checkland (1981:318) as a “..systems-based methodology for tackling real-world problems in which known-to-be-desirable ends cannot be taken as given. Soft systems methodology is based upon a phenomenological stance.” This is in contrast with his view on the ‘harder’ approaches such as systems engineering that is defined as “.. a methodology for tackling real-world problems in which an objective or end-to-be-achieved can be taken as a given. A system can then be engineered to achieve the stated objective.” Checkland (1981:318) He reasons that a methodology rather than a generic structure is the answer to dilemmas created by complexity and provides the Soft System Methodology (SSM) to this effect, (Checkland, 1987), whereby so-called “soft” problem situations can be solved and is also seen as a “learning system”. These so-called “soft” problems also refer to situations of dynamic complexity such as those encountered in the management science.

SSM is viewed in itself as a “learning system.” As part of the actions steps in the learning cycle “root definitions” of relevant systems of purposeful activity are formulated using the mnemonic CATWOE (*C*ustomers, *A*ctors, *T*ransfer Process, *W*eltanschauung, *O*wners, and *E*nvironmental Constraints). Conceptual models can be constructed, using the systems defined in the root definitions. He also classifies systems into:

- Natural systems – systems designed as part of the universe

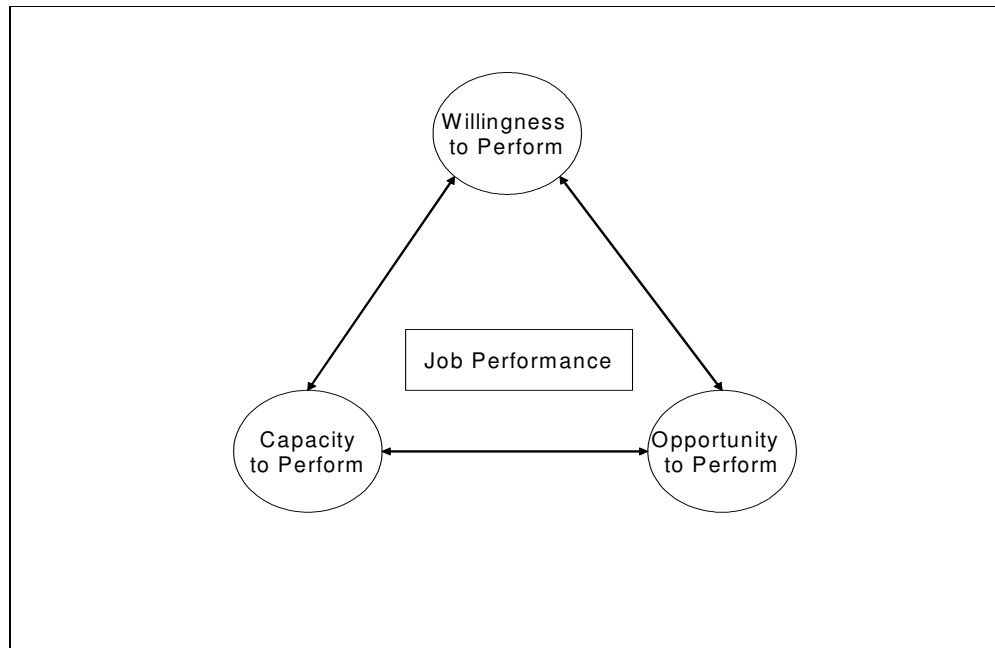
- Designed physical systems – those systems which are man-made and can be touched
- Designed abstract systems – systems for mathematics, philosophies or poems
- Human activity systems – such as political systems where humans are important role players
- Transcendental systems – systems beyond human knowledge

All these systems combined provide a hierarchy of systems or map of the universe. Although conceptually appealing, SSM is not widely applied due to the sizeable learning curve involved when attempting to understand and correctly apply the underlying philosophies inherent to the methodology.

### 2.2.2 Organisational Behaviour Theories

Central to the debate on superior performance of an organisation stands the issue of how to influence and alter behaviour of the individual. A number of variables have been identified as determinants of performance of the individual such as personal background, ability and education to name a few but one way of conceptualisation is to view these variables as a function of three factors namely the capacity to performance, opportunity to perform and the willingness to perform (Ivanevich,J & Matteson,M, 1993) , see **Figure 2-4** below.

**Figure 2-4: Determinants of Job Performance (Source: Ivanevich & Matteson, 1993, adapted from Blumberg & Pringle, 1982)**



The capacity to perform relates to the skills, abilities, knowledge and experience of the individual and implies that an individual must know what to do and how to do it. The opportunity to perform refers to environmental factors and factors such as technology and equipment that may have an impact on job performance.

The third factor, willingness to perform, relates to the extent to which the individual is motivated to carry out his or her duties. In turn, motivation is made up of three distinct components, i.e. direction, intensity and persistence (Ivanevich & Matteson 1993). Direction refers to what the individual chooses to do when faced with more than one alternative and can be tested for consistency with the direction determined by management. Intensity is an indication of how strongly the individual responded once the choice of direction has been made and persistence is the degree to which the individual exerts “staying power” with the chosen alternative in order to achieve success.

Motivational theory can be classified into content and process theories (Ivanevich & Matteson, 1993). Content theories such as those proposed by Maslow (1954), Herzberg (1959) and McClelland (1962) analyse needs and incentives within a person that energise, direct, sustain or stop particular behaviour. The process theories examine how the motivational process within organisations works. Expectancy theory, equity theory and goal setting theory are three motivational process theories outlined by Ivanevich and Matteson (1993) and are discussed below.

The expectancy theory was based on work done by Victor Vroom (1964) to explain motivation of the individual within the organisational setting. He defines motivation as the process that governs choices among alternative forms of voluntary action. The theory was tested extensively for accuracy and results were generally supportive (Klein, 1990). It proposes that a process exist whereby individuals make decisions on how to behave, and makes certain assumptions on the reasons for behaviour (Nadler & Lawler, 1977) which are:

- Behaviour is determined by a combination of forces in the individual and forces in the environment
- People make decisions about their own behaviour in organisations
- Different people have different types of needs, desires and goals
- People make decisions among alternative plans of behaviour based on their perceptions (expectancies) of the degree to which a given behaviour will lead to desired outcomes.

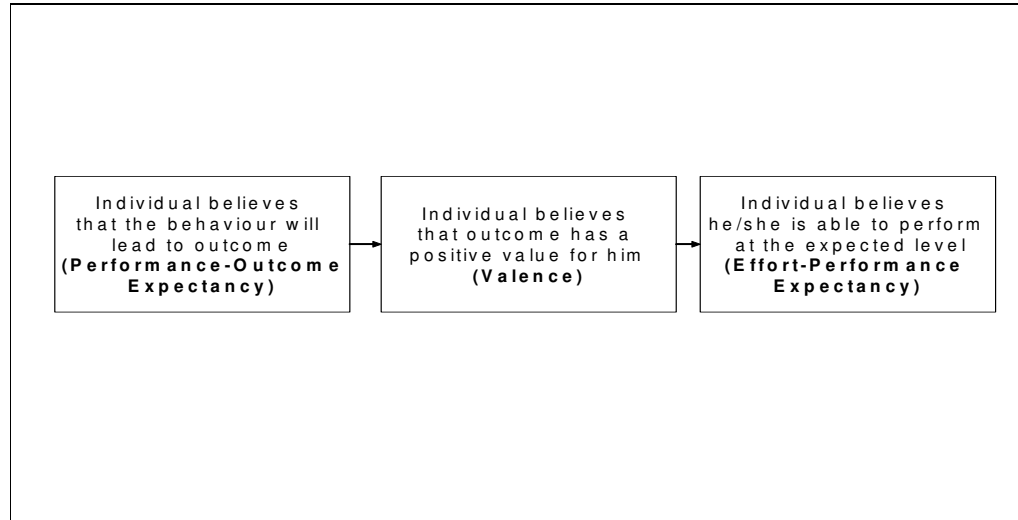
Three concepts come to the fore as building blocks of this theory i.e.

- Performance-Outcome Expectancy - refers to the outcome that the individual perceives to be associated with a particular behaviour.
- Valence - an indication of the value, worth or attractiveness of a specific outcome to an individual
- Effort-performance expectancy is the probability of success associated with certain behaviour, as viewed by each individual.

When these concepts are put together (see **Figure 2-5** below), motivation can be said to be at its greatest when these building blocks are sequentially maximised, or put differently, when faced with alternatives, the individual will choose the behaviour (or level of performance) which has the greatest motivational force associated with it.



**Figure 2-5: Building Blocks of Motivation**



The implications for managers are to:

- Determine the outcomes that have valence for each employee, in other words “what turns her/ him on”
- Define what constitutes “good performance”, what performance is required
- Ensure that the desired levels of performance are reachable
- Link the desired outcomes to desired performance

#### 2.2.2.2

#### Equity Theory

This theory is based on the basic assumption that individuals want to be treated equally at work (Ivanevich,J & Matteson,M, 1993). Adams (1963) stated that “...equity exists when employees perceive that the ratio of their input (efforts) to their outputs (rewards) is equivalent to the ratios of other employees. Inequity exists when “..these ratios are not equivalent...” The Equity Theory of Motivation can be summarised as in **Figure 2-6** below, where the referenced person can be a co-worker and Case 1 is perceived as a situation of equity, Cases 2 and 3 that of inequity and:

IP = Inputs of the Person;

OP = Outputs of the Person;

IRP = Inputs of the Referenced Person;

ORP = Outputs of the Referenced Person.

**Figure 2-6: The Equity Theory of Motivation (Source: Ivanevich,J & Matteson,M, 1993. Organizational Behavior and Management)**

Case 1 :	$\frac{O P}{I P}$	=	$\frac{O R P}{I R P}$	<b>e q u i t y</b>
Case 2 :	$\frac{O P}{I P}$	<	$\frac{O R P}{I R P}$	<b>i n e q u i t y</b>
Case 3 :	$\frac{O P}{I P}$	>	$\frac{O R P}{I R P}$	<b>i n e q u i t y</b>

### 2.2.2.3

#### Goal Setting Theory

Edwin Locke's goal theory (1968) postulates that an individual's conscious goals and intentions are the primary determinates of her / his behaviour, that a person will "keep going" until goal completion has been reached – a characteristic of intentional behaviour. He views a goal as the object of an activity and went on to describe the attributes of the mental (cognitive) process of goal setting. These attributes are:

- Goal specificity – degree of quantitative precision (clarity) of the goal
- Goal difficulty – degree of proficiency sought
- Goal intensity – refers to the process to determine how the goal will be reached
- Goal commitment – the amount of effort used to achieve a goal

The main steps in applying goal setting in a managerial context are:

- Diagnose the people, organisation and technology on readiness for goal-setting
- Prepare employees for goal-setting via increased personal interaction, communication, training and action planning for goal-setting
- Emphasize attributes goals to be understood by managers and subordinates
- Conduct intermediate reviews to adjust goals where necessary
- Perform a final review to check goals set, modified and accomplished

Locke's theory spurred an increase in research on the subject of goal setting in the organisational setting, and it is empirically supported that conscious goals regulate

behaviour. (Ivancevich & Matteson, 1993). One area of debate is the level of subordinate involvement in goal setting (Erez, Early & Hulin, 1985), where some research recorded an increase in job performance with higher levels of employee participation in goal setting (Ivancevich, 1977) whereas others attempts failed to establish relationships between employee participation in goal-setting and subsequent performance (Shalley, Oldham and Porac, 1987). In general, the theory provides academic foundation for the setting of clear and specific goals as opposed to vague goals such as “do your best”.

### 2.2.3

#### Control Theories

Control is defined by the Concise Oxford Dictionary as ‘..the power to influence people’s behaviour or the course of events, the restriction of an activity, tendency or phenomenon’ but is in itself a highly ambiguous term, difficult to translate into many European languages and have as many as 57 varieties in its connotations (Otley, Broadbent & Berry, 1995). Management control was founded mainly in the world of accounting, based on works by authors such as Robert Anthony (1965), who proposed a framework for analysis of planning and control systems consisting of:

- Strategic planning – the process of deciding on objectives of the organisation, on changes in these objectives, on the resources used to attain these objectives and on the policies that are to govern the acquisition, use, and disposition of these resources
- Management control – the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation’s objectives
- Operational control – the process of assuring that specific tasks are carried out effectively and efficiently

This framework defined the study of management control systems that was subsequently dominated mainly by accounting control systems. Anthony also stressed the dominance of human judgement and feelings (behavioural factors) in management control. He suggested that motivation is the central function of a management control system – the system must assist management to support the organisation’s objectives on their decisions and actions. In spite of this, he concentrates almost solely on planning and control from an accounting point of view and does not elaborate into further discussion on the behavioural or psychological issues of management control. It is interesting to note that Anthony (1988) later modified his definition of management control to be the process by which managers influence members of the organisation to implement the organisation’s strategies.

“Measuring, appraising and improving management performance” is seen by Anthony (1988:19) as an activity included under management control, and “measuring and appraising and improving workers’ efficiency” as part of operational control, although he warns that the lines between the categories are blurred. He distinguishes between management control

and financial accounting in that the latter refers as the process of reporting financial information to the outside world against principles developed by society whereas management control is not governed by such principles.

Lowe (1971) gave a broader view of management control and defined it as “..a *system* of organizational information seeking and gathering, accountability and feedback designed to ensure that the enterprise adapts to changes in its substantive environment. The work behaviour of its employees is measured by reference to a set of operational sub-goals (which conform to overall objectives) so that the discrepancy between the two can be reconciled and corrected for”. (Emphasis added). He focuses attention on the need for a management control system (MCS) required by organisations to regulate themselves.

Machin (1983) explores the concepts of “management”, “control” and “system” in his definition of management control system as the formal, systematically developed, organization-wide, data-handling *systems* which are designed to facilitate management control. Management control is referred to as the process by which managers assure that resources are obtained and used effectively and efficiently in the organization's objectives.

Organisational theory in general and management control research in particular have been influenced by cybernetics (Otley et al, 1995) which is discussed in more detail in 2.2.1.2 above. Schoderbek, Schoderbek and Kefalas (1980) suggest a theoretical basis for viewing the organisation as a system. It touches on the cybernetic theories of communication and control (viewed as two sides of the same coin) and relates them to the management of organisations. It lays down two operational principles of management cybernetics; the first principles states that enterprises are “purposeful control systems that feed on transmission of information (communication)”, the second that “control is that function of the system via which a critical variable of system behaviour is held at desirable level by a self-regulating mechanism”.

Schoderbek et al.(1980) distinguish between three levels of feedback loops within an organisation. The first two levels correspond to the single and double loop feedback systems of Simons (1995), but they add a third-order feedback system which they call “reflective goal changing” based on memory and conscious learning, anticipatory and informative feedback. They apply the systems approach to management and argues the organisation should be viewed as a system, of which a model could be built with the use of information technology.

As seen above, systems theory and cybernetics are interlinked although Otley et al (1995) distinguishes between cybernetics being concerned with closed systems, and systems theory having a more open perspective. Von Bertalanffy (1950) stated that a system is ‘closed’ if no material (and energy – added by subsequent theorists) enters or leaves it. The closed system obeys the second law of thermodynamics, gradually running down, increasing in entropy, and reaching an equilibrium state where no energy can be obtained from it.

The concepts of 'open' and 'closed' systems can be combined when one argues that organisations are both rational and natural (Thompson, 1967; Boland and Pondy, 1983). These authors formulate four categories to summarise management control systems. The categories are as follows:

- The Closed Rational Perspective – is founded in classical management theory by theorists such as Drucker (1964) and Simon et al (1954) where organisations are viewed according to the closed systems model and solutions are based on rational thinking, and 'one best way' to operate control systems are sought.
- The Closed Natural Perspective – based on the behavioural approaches of scholars such as Argyris (1952) with "The Impact of Budgets on People" and neatly reversed by Schiff and Lewin (1970) with "The Impact of People on Budgets" where the consequences of human behaviour in the use and operation of control systems are explored.
- The Open Rational Perspective – the organisation and its control systems as part of a bigger external environment with elements of external uncertainty were investigated using rational approaches by authors such as Beer (1972) and Otley (1980).
- The Open Natural Perspective – this perspective is marked by thinking that contingent variables such as the environment should not be seen as deterministic drivers of control system design, but rather something that can be controlled as well. It also recognises the political nature of organisational activity.

More recently, Simons (1995) stated that management control needed to be revived from the command-and-control rhetoric of the 60's to keep up with increasingly competitive markets, products and organisational structures. He defined management control systems as the "...formal, information-based routines and procedures managers use to maintain or alter patterns in organisational activities" (Simons,1995:5)

Simons (1995) focuses on four levers (or systems) of control an organisation can utilize to control the implementation of business strategy. They are Beliefs Systems, Boundary Systems, Interactive Control Systems and Diagnostic Control Systems. Beliefs Systems and Interactive Control Systems being positive and inspirational, present the positive, "yang", forces of strategy implementation. This is offset against the negative, "yin" forces, which set limits and ensure compliance with standards. These opposite forces represent the inner tension always present in strategy execution similar to the balancing act that managers must perform in order to maximise the return-on-management (ROM) and create value.

Of particular interest to a study on performance management are the systems for Diagnostic and Interactive Control. Diagnostic Control Systems are single-loop feedback systems that control execution of the intended strategy as opposed to the Interactive Control Systems that controls execution of emergent strategy thereby representing a double-loop learning system.

According to Simons (1995), the management of the tension between these two systems of control (used to manage critical performance variables vs strategic uncertainties) is the essence of management control - both are crucial for business survival, they are the opposite sides of the same coin. Diagnostic Control Systems can be compared to Anthony's traditional system of management control and can be defined as "the formal information systems that managers use to monitor organisational outcomes and correct deviations from preset standards of performance". Interactive Control Systems are defined as "the formal information systems managers use to involve themselves regularly and personally in the decision activities of subordinates. This system seeks to encourage innovative behaviour and creativity to resist forces that wish to invalidate the present strategy of the firm.

Two of the partially unanswered questions in management control theory today are:

- Whether management control theories based on large hierarchically structured organisations are relevant in modern day scenarios with smaller more focused organisational units where key issues are dealing with constant change and uncertainty (Otley et al, 1995).
- The issue of the so-called 'embedded' organisation, where control systems have to operate outside legal firm and national boundaries in extended supply and distribution chains. Very little attention has so far been given to formulation of an overall control framework for these scenarios. (Otley, et al, 1995). Outsourcing the call centre can be seen as an example of embedding contact with the outside world into an organisation.

Govindarajan and Fischer (1990) conducted a study on control systems in diverse business units and found that firms should steer away from standard control systems to manage diverse strategic business units (SBU), and that control systems are important in the implementation of strategy and should be tailored to the strategy of the SBU. They presented a dichotomous model (**Table 2-1** below) that indicates the antecedent factors of control type under the two main different scenarios of

- Perfect or imperfect task programmability (referring to the extent a link between means and end can be created, perfect indicates a strong link or a task's susceptibility to clear definition of the behaviours required to perform it)
- High or low behaviour and high or low outcome observability (referring also to the valid and reliable measurability of outputs and behaviour)

**Table 2-1: Control Types and Antecedents (Source: Govindarajan and Fischer, 1990)**

Outcome Observability		Task Programmability	
		Perfect	Imperfect
High Outcome Observability	High Behaviour Observability	Output or behaviour control	Behaviour control
	Low Behaviour Observability	Output Control	Output Control
Low Outcome Observability	High Behaviour Observability	Behaviour Control	Behaviour Control
	Low Behaviour Observability	Behaviour Control	Behaviour Control

## CHAPTER 3. LITERATURE REVIEW

Performance Management is founded mainly on the three theories as discussed in Chapter 2 above. This chapter considers literature on the subject of performance management, and the latest research on call centre management is also included.

### 3.1 PERFORMANCE MANAGEMENT

The Relevance Lost Debate in the late 1980's was a catalyst for change in management accounting thinking. It occurred in reaction to the book 'Relevance Lost. The Rise and Fall of Management Accounting' (Johnson and Kaplan, 1987). In this book (and subsequent debate) the authors argued that thinking on this subject stagnated since the 1920's. They criticised the excessive use of financial targets for measurement of organisational performance.

Robert Kaplan since then went ahead and together with David Norton formulated the concept of the Balanced Scorecard. Today they are widely recognised for their prominence on the subject of performance management and are the authors of the highly acclaimed and commercially accepted Balanced Scorecard (Kaplan & Norton, 1996).

They departed from traditional, financial, views on management control and introduced a link between strategy and action with the main focus on balance between financial and non-financial measures and management control. The Balanced Scorecard furthermore promoted balance between a long- and short-term focused management approach, leader vs lagging indicators of performance and internal vs external measures. It serves as a 'template' by promoting a limited number of measures that are clustered in four groups called the financial, customer, internal process and innovation and learning perspectives. It supports the notion of causality in the selection of measures, through emphasis on performance drivers (leaders) and performance outcomes (laggers). It was further enhanced by the concept of strategy-maps – a methodology offered to explicitly communicate strategy throughout the organisation.

The Balanced Scorecard is described as a management system by Kaplan and Norton themselves, a strategic-based responsibility accounting system (Hansen and Mowen, 2005), tool for strategic control by Nils et al (2000) and a Performance Management System by De Waal (2002), an indication of the multi-disciplinary buy-in and wide spread commercial acceptance of the concept.

Goold and Quinn (1990) defines a strategic management system as "The process which allows senior management to determine whether a business unit is performing satisfactorily, and which provides motivation for business unit management to see that it continues to do so. It therefore normally involves the agreement of objectives for the business between different levels of management; monitoring of performance against these objectives; and



feedback on results achieved, together with incentives and sanctions for business management.” (Goold & Quinn, 1990: 45) The Balanced Scorecard thus falls squarely into this category.

Across the Atlantic the concept of the Tableaux de Bord emerged in France at the turn of the 21<sup>st</sup> century (Epstein & Manzoni, 1998) and is similar in concept to the Balanced Scorecard in that it supports the concept of a ‘nested’ dashboard to track performance on multiple levels in the organisation.

Both these performance management methodologies provide the linkage between organisational mission and actions by means of a cascade of objectives and targets with corresponding feedback.

Quality frameworks impacted on the subject of performance management by providing causal models for the measurement of organisational performance. The European Foundation for Quality Management (EFQM) model has nine weighted components divided into two categories namely enablers (50%) and results (50%). Enablers are Leadership, People, Policy and Strategy, Partnerships and Resources and Processes and as such represent the weighted value of enablers of performance excellence. These are then followed by the results measured by People Results, Customer Results, Society Results and Key Performance Results (EFQM, 2005). A similar model was developed in the South African context by the South African Excellence Foundation (SAEF).

These frameworks can be used between organisations for benchmarking or for improvement by means of self-assessments and as such provides a structure for the organisation’s management system. The study done by Haines III, St-Onge and Marcoux (2004) highlighted that Quality-Driven organisations are supported in the quality endeavours with performance management systems.

Pock, Westlund and Fahrni (2004) focused on holistic performance management and argued in favour of holistic performance indices, as opposed to financial-only indices and Crowther (1996) examined three dimensions of corporate performance namely the perspective dimension, which addresses the different perspectives of different stakeholders, the purpose dimension, which identifies a number of reasons why performance must be evaluated and lastly the focus dimension, internal vs external, short term vs long-term and past v future focus.

In the United Kingdom extensive performance management research has been conducted in public-sector organisations. One of these focused on the implementation of so-called third generation balanced scorecards in an UK governmental organisation (Lawrie, Cobbold, 2004) which is an attempt to provide a closer link between corporate vision and objectives, measures and targets on the scorecard.

Cranfield University's School of Management conducted research on the subject of performance measurement and management and the so-called Performance Prism (Neely, Adams & Kennerly, 2002) was developed as a multi-faceted model to measure corporate performance from external and internal perspectives.

The stakeholder facets included stakeholder satisfaction and stakeholder contribution and included investors, customers and intermediaries, employees, regulators and communities and suppliers as stakeholder communities. The internal facets are strategies (corporate, business unit, brands/products/services and operating), processes (develop products and services, generate demand, fulfil demand, plan & manage enterprise) and capabilities (people, practices, technology and infrastructure).

The two control systems defined by Simons were used as basis for further empirical research by Nilsson and Kald (2002) on performance management systems mainly in Nordic countries. They used the control theory of Simons (1995) – specifying diagnostic and interactive levers of control - and investigated the uses of performance management in Nordic companies as well as the difference in performance management practices between countries in this region.

Their study investigated the use of performance management at top management level versus the operating level and whether performance management information was used to implement the intended strategy (diagnostic control) or emergent strategy (interactive control). Their study revealed that the introduction and diffusion of modern models of performance management such as Balanced Scorecard and Tableaux de Bord promoted a change in the design of performance management systems.

They observed a move away from an internal, financial view to include external measures. They also highlighted the tension between the application of performance management on top management level and operating level, as well as performance management design that focuses on the balancing act between internal vs external and financial vs developmental performance.

Early in the 21<sup>st</sup> century it became evident that with the by now widely accepted wider view on the structure of performance management systems, organisations also need to reflect on the behavioural implications inherent to these systems. Simons (2000) went as far as stating that performance measurement and control systems cannot be designed *without* taking human behaviour into account. Zairi and Jarrar (2000) argue that managers should use data from the performance management system to influence the behaviour of subordinate managers and employees.

De Waal (2002) summarises the assumptions about the nature of human activity in organisations by Simons (2000) by stating that people in organisations generally like to have and show good performance and:

- Want to contribute to an organization of which they can be proud of;
- Know the difference between right and wrong, and generally choose to do right;
- Strive to achieve – even in the absence of external inducements (money, promotion, praise) people often set a personal goal for themselves;
- Like to innovate – they have an innate desire to experiment by creating new technologies and new ways of doing things; and
- Want to do competent work, a job well done allows them to exercise their skills and receive satisfaction from their competence.

This is similar to thinking by Hofstede (1968) decades earlier in his seminal book, *The Game of Budgetary Control* where he established that the design of a budgetary system impacts on the motivation of the budgetee. This book built on the influential efforts of Argyris (1952) mentioned earlier.

Hofstede examined the positively and negatively motivating characteristics of budgetary systems that play a role in the fulfilment of needs. The basic needs scrutinized were those of safety, affiliation, esteem-from-others, achievement and autonomy (independence). It investigated a multitude of behavioural aspects in the budgeting process including the process (“game”) of standard setting and the effect of positive / negative results on people’s motivation and performance.

Malina and Selto (2000) established that causal relationships exist between performance management system design, management control use, managerial and employee behaviour, and ultimate performance. They confirmed that positive outcomes are associated with better strategic alignment and motivation of employees.

De Waal (2002) simply defines a successful performance system as one that is used on a regular basis. His research identified 18 important behavioural factors and grouped it together in categories in such a way that an overview appears of the areas to be considered by organisations in order to increase the chance of implementing a new performance management with success (**Table 3-1** below).

**Table 3-1: Performance Management System Design - Important Behavioural Factors**  
(Source: De Waal, 2002)

Classification Scheme Part	Areas to be Considered	Behavioural Factors
Performance management system	<b>Managers' understanding</b> – A good understanding by managers of the nature of performance management	<ul style="list-style-type: none"> <li>Managers understand the meaning of KPIs.</li> <li>Managers have insight into the relationships between business processes and CSFs/KPIs.</li> <li>Managers' frames of reference contain similar KPIs.U21. Managers agree on changes in the CSF/KPI set.</li> </ul>
Controlled system	<b>Managers' attitude</b> – A positive attitude of managers toward performance management, toward a performance management system and toward the project	<ul style="list-style-type: none"> <li>Managers agree on the starting time.</li> <li>Managers have earlier (positive) experiences with performance management.</li> <li>Managers realize the importance of CSFs/KPIs/ BSC to their performance.</li> <li>Managers do not experience CSFs/KPIs/BSC as threatening.</li> </ul>
Controlling system	<b>Performance management system alignment</b> – A good match between managers' responsibilities and the performance management system	<ul style="list-style-type: none"> <li>Managers' KPI sets are aligned with their responsibility areas.</li> <li>Managers can influence the KPIs assigned to them.</li> <li>Managers are involved in making analyses.</li> <li>Managers can use their CSFs/KPIs/BSC for managing their employees.</li> </ul>
Internal environment	<b>Organizational culture</b> –An organizational culture focused on using the performance management system to improve	<ul style="list-style-type: none"> <li>Managers' results on CSFs/KPIs/BSC are openly communicated.</li> <li>Managers are stimulated to improve their performance.</li> <li>Managers trust the performance information.</li> <li>Managers clearly see the promoter using the performance management system.</li> </ul>
External environment	<b>Performance management system focus</b> – A clear focus of the performance management system on internal management and	<ul style="list-style-type: none"> <li>Managers find the performance management system relevant because it has a clear internal control purpose.</li> <li>Managers find the performance management system relevant because only</li> </ul>

<b>Classification Scheme Part</b>	<b>Areas to be Considered</b>	<b>Behavioural Factors</b>
	control	those stakeholders' interests that are important to the organization's success are incorporated.

Key to successful performance management is the ability to measure and report on the important things, which means that managers must have access to performance information on most critical business issues, and not be overloaded with detail that they can not assimilate (De Waal, 2001).

The selection of the right measures is of utmost importance and the following criteria were formulated by Olve, Roy & Vetter (2000) to determine what measures to use:

- Measures must be unambiguous
- Must be defined uniformly throughout the organisation to promote standardisation of measurement
- When grouped together, the measures must cover all the strategic aspects in the business
- The causal links present in strategy execution must be clearly portrayed in the representation of the measures (most cover all perspectives, be balanced)
- Measures selected must be useful in the goal-setting process
- It must promote ease of measurement

Important aspects to consider when a measurement system is designed are (Kald & Nillson, 2004):

- The structure of performance measurement which relates to the categories and types of measures used in the monitoring of performance and should be financial and non-financial (e.g. profitability, cost-effectiveness etc).
- Processes used by the organisation and its business units to plan for and monitor performance should link strategic plans and the actual measures selected to report on progress of action plans (e.g. managerial accounting systems, pc-based models etc)
- What the principal use of data gathered in the measurement process will be (e.g. for decision-support, picture of profitability etc)
- What the organisation feels the benefits will be from performance measurement (e.g. contribution to better understanding of how business works, shows whether business is following the business strategy)

- How to prevent common shortcomings of performance measurement (e.g. overly focused on the past, overly focused on the short run etc)
- Whether newer generation of models for performance measurement should be used (e.g. Strategic Management Accounting, Balanced Scorecard, Value Based Management)

Otley (1999) listed a set of five questions that must be answered when a framework for management of organisational performance is developed:

- What are the key objectives central to the future success of the organisation, and how will it know whether each of the objectives has been achieved or not?
- What are the organisation's strategies and plans and what are the processes and activities required to implement these plans, how will progress be measured?
- What is the level of performance required by the objectives and strategies, and how does the organisation go about to set appropriate targets?
- What are the rewards or sanctions associated with the performance targets?
- How will the organisation learn from its experience (feedback and feed-forward loops)?

In conclusion, it is clear that, to date, performance management has not been exhausted as topic for academic research. Also that a "one-size-fit-all" solution to solve the performance management headaches of organisations does not exist, and that the optimal solution is contingent on a variety of conditions that lie in- and outside of the company.

Since the management of performance is so closely linked to the strategy of the company a clear trend is visible in performance measurement and management literature to establish the impact of certain strategic postures on the design of the performance management system and vice versa (Neely et al, 1994, Simons, 1995, Otley, 1999 and Kald & Nillson, 2004), but the results remain largely inconclusive.

For example, Neely et al (1994) found in a survey of more than 800 UK firms, that firms which compete on price regard on time delivery as their most important measure. Kald & Nillson's (2004) study examined 400 Nordic companies and studied the variables: strategic position, design of performance measurement and financial results. They found that financial measures are not necessarily emphasised by companies employing a cost-leadership strategy and that successful business units with a cost-leadership strategy use diagnostic measurement only to a minor extent. They found however, that differentiators emphasise the use of non-financial measure and the interactive use of performance measurement. They conclude that the relationships between business strategy and measurement of performance are not straightforward.

## 3.2

### CALL CENTRE PERFORMANCE

Call centres can be categorised along many dimensions (Gans, Koole & Mandelbaum, 2003). Functionally, they provide customer service; help desk and emergency response services; telemarketing and order taking services as well as the credit management process. They vary in size and geographic dispersion, in some call centres, agents handle all types of calls, and in others calls are routed to appropriately trained agents using the principles of 'skills-based routing'. Whether in- or outbound calls are handled, is central to classification of the business of the call centre.

Inbound centres are associated with help desk, customer support and order taking. Outbound centres initiate calls from inside the call centre, and are associated with telemarketing, surveys and credit management (Gans, Koole and Mandelbaum, 2003).

Inbound centres are technology rich environments, supported commonly by IVR (Interactive Voice Response) units, whereby the customer communicates his needs to the system via their telephone key pads or voice. The call is then routed to the "best" available agent based on complex statistical models using a variety of criteria with the ACD (Automatic Call Distributor). If no suitable agent is available to take the call the ACD places the customer 'on hold', whilst exposing him / her to music or predictions of waiting times. During this time the customer may become impatient and hang up – hence the call abandonment rate.

Outbound centres commonly have predictive diallers that handle campaigns by initiating calls based on statistics and queuing principles and then routing the called person to the right agent.

Once engaged, the agent conducts the service encounter based on scripts and information stored in databases, assembled to facilitate the process. An area of daily focus in the call centres is capacity planning which is supported by workforce management software that manages the trade-off between resource utilisation and accessibility (Gans, Koole and Mandelbaum, 2003).

A review on literature on performance measurement and performance management in call centres worldwide reveal that these organisations are battling with a number of issues not altogether different from the general debate on this subject.

The first and foremost debate raging in centre performance management literature today is the issue of *what* to measure. Academic literature reveals that call centres are heavily biased towards the measurement of operational efficiency seen by many as determinant of financial performance (Marr & Neely, 2005, Gilmore, 2001 and Miciak & Desmarais, 2001). Miciak & Desmarais (2001) go as far as saying that call centres 'rarely' measure customer satisfaction. Furthermore, astonishingly, research on the 13 so-called 'critical operational determinants' of call centre excellence only two, namely 'percentage of call closed in first contact' and 'average abandonment', have statistical influence on caller satisfaction

(Feinberg, Kim, Hokama, De Ruyter and Keen, 2000). Tayles, Bamley and Farr (2002) are of opinion that call centres are apt in the measurement of efficiency but don't evaluate the qualitative employee attributes that create value for the organisation and its customers.

Commercial research agrees with this point of view and states that development of measures and metrics in call centres do not develop at the same pace as overall call centre development and deployment. (Merchants Global Benchmarking Report, 2005). They add that measures are not standardised or defined uniformly and that this leads to distortion in call centre performance reporting.

Secondly, the reason *why* certain measures of performance are included and the *level* of inclusion come to the fore. Feinberg et al (2000) believe that due to the technology available in call centres "... we make important what we can measure". This can potentially lead to measurement that is neither necessarily important nor motivating and which leads to the question of whether the current measures are driving the right behaviour. 'Average talk time', a common measure in call centres today, is one of the controversial measures of front-line employees' performance, as it is believed that measuring this variable can lead to reduced service quality. Many feel that only managers and supervisors should be measured against these efficiency targets (Marr & Neely, 2005).

The behavioural factors involved in the monitoring of agent performance are a subject of huge concern in this industry. Themes are recorded such as stress, disengagement resistance, emotional labour and reduced space to escape (Knights & McCabe, 1998) which reflect on some of the unwanted outcomes of unrealistic performance targets, or so-called performance "tweaking" (Houlihan, M, 2000). The constant trade-off agents experience between (constantly shifting) targets for quality and quantity, the underlying complexity of the job that is in most cases filled by deskilled labour on low wage rates, creates, amongst other things, unwanted and defensive behaviour (Houlihan, 2000).

In contrast with this, Holland (2003) feels that the call centre needs to steer away from 'averages' as it hides underlying issues such as variations in performance between agents, teams and locations. Call centre managers need to identify areas of poor performance in order to take effective action. He adds that the performance management system must retain commentary on the reason for unwanted performance in order to avoid unnecessary duplication of effort. Performance information must also be communicated timely, accompanied with the required supporting information. Lastly, performance information must be appropriately integrated between different activities and reported against budgets and forecasts.

Thirdly, it becomes clear that call centres cannot be viewed as 'closed' systems with a solitary goal of driving down costs, that call centre performance should not be measured in isolation from the performance of the organisation as a whole. Call centres should preferably be measured on their contribution to the strategic focus of the entire company (Marr & Neely,



2005). This contrasts with the Merchant report findings that the most common performance metrics reported to the organisation's senior management or board are still answered and abandoned call statistics. (Merchants Global Benchmarking Report, 2005).

## CHAPTER 4. RESEARCH METHODOLOGY

### 4.1 RESEARCH QUESTIONS

Since research questions are appropriate when the topic is exploratory in nature, the following questions were formulated to provide structure and focus to the research and to answer the main research question posed by this research.

The main question this research wants to address is how to assess the effectiveness of a Performance Management System of a South African call centre. It must therefore also address the following (descriptive) sub-questions:

- The performance of WHAT must be measured and managed in an organisation in order to be effective?
- WHEN must performance be measured / managed in order to be effective?
- HOW must the performance be managed (elements) in order to be effective?
- WHERE must performance management take place in order to be effective?
- The reason WHY performance must be managed in order to be effective?
- HOW WELL performance must be managed (behaviour) in order to be effective?

### 4.2 OUTLINE OF RESEARCH APPROACH

In order to develop the PMSAI (Performance Management System Assessment Instrument) qualitative and quantitative research was conducted, structured into two main phases. The activities per phase are summarised in **Table 4-1** below.

**Table 4-1: Summary of Research Approach**

Phase	Activities	Sample	Output Phase of
1.1	<b>Literature Review:</b> Existing, available literature was firstly reviewed to establish a sound theoretical basis for this study. Based on this review, a descriptive model of an effective Performance Management System was compiled that addresses its components and characteristics. The	Secondary Data	Draft PMSAI

Phase	Activities	Sample	Output Phase of
	literature review also covered aspects and issues specific to performance measurement and management in call centres. Based on this model and components of other existing performance management assessment instruments, a draft version of the PMSAI was developed.		
1.2	<b>Personal Interview:</b> The content and structure (context) of the first iteration of the PMSAI was subjected to testing by means of a unstructured, personal interview with experienced Performance Management practitioners in South Africa at one of the big five financial institutions in South Africa. The data obtained from this interview was processed and incorporated into the PMSAI instrument (see Annexure A for a copy of this instrument)	<b>Single</b> interview with two respondents from Nedcor, one of South Africa's major banks. These respondents were involved in the design and implementation of Nedcor's performance management system.	Reviewed PMSAI
2.1	<b>PMSAI Survey:</b> Delegates at an e-Workforce (call centre workforce management software) user conference were requested to complete the PMSAI. The aim of the conference was to discuss call centre related issues. The researcher gave a short presentation to orientate all the delegates with regards the purpose of the study and clarified instructions for the completion of the questions.	<b>Twenty</b> respondents at the e-Workforce conference.  (Delegates were from Standard Bank, MTN, SATOUR and other corporate institutions)	Twenty questionnaires were completed of which nineteen could be used.
2.2	<b>PMA® Survey:</b> The PMA® tool (De Waal, 2004) was received after the PMSAI was developed and the PMSAI survey was conducted. The tool is implemented in Microsoft Excel. The	The tool was sent out electronically to a small sample of <b>three</b> respondents, on a non-probability convenience	Three completed questionnaires were received electronically.

Phase	Activities	Sample	Output Phase of
	results of this small survey are also included as a form of methodological and data triangulation to increase the reliability and validity of the results. (Patton, 1989)	basis, The sample of the PMA® did not overlap with the sample of the PMSAI.	

## 4.3 MEASUREMENT INSTRUMENTS

### 4.3.1 Personal Interviews

No formal instrument or interview schedule was used; the interview was unstructured in order to obtain maximum unsolicited inputs to the subject from respondents.

### 4.3.2 The PMSAI

The instrument contains four main sections i.e:

- An introduction to the survey
- A confidentiality clause
- Research demographics
- Research Questions

The research questions were subdivided into five sections which addressed:

- The Performance Management System itself
- Purpose of the Performance Management System
- Types of Measures
- Level of Application of the Performance Management System
- Elements of the Performance Management System

An overall effectiveness rating was included and a set of four exploratory questions were included to capture any issues not addressed in the current version of the instrument. The questions related to the Performance Management System itself and the Types of Measures captured a rating on the importance of the aspect / measure versus the actual experience in the call centre (gap).

The rationale and questions per section are discussed below.

#### 4.3.2.1

##### Performance Management Section

This section measures factors contributing to the perceived success of the Performance Management System, and can therefore potentially indicate that a proper Performance Management constitution is in place if a high score is obtained. This section therefore contributes to the descriptive question of 'how well' and 'when' performance is managed in the organisation.

The questions included are based on the structural and behavioural factors that are important for the successful implementation and use of performance management (De Waal, 2002), see **Table 4-2** below. Two questions were added in order to:

- Test the ability of the Performance Management System to accommodate change in the organisation and
- Test the ability of the Performance Management System to manage risk in the organisation

The questions related to the Performance Management System captured a rating on the importance of the aspect / measure vs the actual experience in the call centre (gap). The respondent was asked to rate the

- Contribution of this aspect to the effectiveness of Performance Management in this organisation / call centre

Versus

- Rate how much you agree / disagree with the statement as experienced in your organisation / call centre

The statement was placed in the centre of the rating grids. In spite of many measurement instruments that follow this approach, some of the respondents were still confused by this feature, and alternatively suggested that the questions must be repeated instead of testing the same issue with two different focuses.

#### 4.3.2.2

##### Purpose of the Performance Management System

This section was included in the PMSAI to test the reasons why call centres actively manage performance as it was reasoned that different organisations may use Performance Management for different reasons, and this may have an impact on the constitution of the system. This section therefore contributes to the descriptive question of 'why' performance is managed in the organisation.

The purposes for Performance Management was tested based on the questions included in Uses of Performance Measurement in the questionnaire developed for Performance Measurement research on Nordic companies (Nillson & Kald 2002). These uses were in turn

derived from two of Simon's (1995) categories of control namely Interactive and Diagnostic Control.

The respondents were asked to rate the extent to which the purposes listed reflected the purpose for which Performance Management was used in the call centre. Room was left for respondents to add additional purposes.

#### 4.3.2.3

##### Types of Performance Measures

This section was included in the PMSAI to test what gets measured in South African call centres as it was reasoned that the area of measurement or analysis will impact on the effectiveness of Performance Management in general. This section therefore contributes to the descriptive question of the performance of 'what' is managed in the organisation.

The 14 measurement types were also based on the types included in the questionnaire developed for Performance Measurement research on Nordic companies (Nilsson & Kald 2002), and can be categorised into the following four areas:

**Table 4-2: Categories for Types of Measurement after Nilsson and Kald (2002).**

Category	Type of Measure
Measures focused on Development	Measures that reflect process development / level of technology Measures that reflect competence of call centre staff Measures that reflect employee satisfaction Measures that reflect innovation in service offering
Externally focused Measures	Measures that reflect customer satisfaction Measures that reflect market position Measures that reflect the social responsibility profile of the call centre
Internally focused Measures	Measures that reflect reliability of service delivery Measures that reflect call centre efficiency Measures that reflect quality of service
Financial Measures	Measures that reflect value to shareholders Measures that reflect profitability Measures that reflect distribution of sales Measures that reflect cost effectiveness

The categories were, in turn, loosely based on the four perspectives of the Balanced Scorecard (Kaplan and Norton, 1992).

#### 4.3.2.4 Application Level of the Performance Management Section

This section was included in the PMSAI to test on which levels call centres actively manage performance as it was reasoned that different organisations may manage performance on different levels, and this may have an impact on the constitution of the system. The different levels included were the corporate level and call centre level to cater for call centres as part of bigger organisations, as is for example the case with many financial institutions. Further levels included were team and individual levels as well as process level (diagonally across organisation), product / service level and project level. This section therefore contributes to the descriptive question of 'where' performance is managed in the organisation and was formulated based on personal experience of the researcher of where, or where not, performance is managed in organisations. Respondents were asked to rate to which extent measurement is done in the call centre per level indicated.

#### 4.3.2.5 Elements of the Performance Management System

Lastly, a section to analyse elements of Performance Management Systems, was included in the PMSAI. This section requested respondents to rate the extent to which they agreed with statements regarding elements of their respective Performance Management Systems. These elements are:

- Standardised Measures
- Processes to Manage Performance
- Policies and Procedures for Performance Management
- Performance Management Methodologies
- Actors and their roles in the Performance Management Process
- Qualified Measurement Instruments
- Information Systems Supported
- Review Process in order to improve the Performance Management System

This section contributes to the descriptive question of 'how' performance is managed (components of the Performance Management System in place in the call centre) and was formulated based on tendencies encountered during the course of the literature review on systems, control systems and management systems as well as the interview mentioned in 4.3.1 above.

### 4.3.3 The PMA®

The PMA® is an existing, analytical tool developed to measure and report on how performance-driven an organisation is (De Waal, Radnor & Akhmetova, 2004). It takes into

account structural and behavioural aspects, grouped into nine categories, required to successfully manage performance.

**Table 4-3: Behavioural factors that are important for the successful implementation and use of performance management (After De Waal, 2004)**

Aspect	Type	Short description
Responsibility structure	Structural	A clear parenting style and tasks and responsibilities have been defined and these are applied consistently at all management levels.
Content	Structural	Organisational members use a set of financial and non-financial performance information, which has a strategic focus through the use of critical success factors and key performance indicators.
Integrity	Structural	The performance information is reliable, timely and consistent.
Manageability	Structural	Management reports and performance management systems are user friendly and more detailed performance information is easily accessible through ICT- systems.
Accountability	Behavioural	Organisational members feel responsible for the results of the key performance indicators of both their own responsibility areas and the whole organisation.
Management style	Behavioural	Senior management is visibly involved and interested in the performance of organisational members and stimulates an improvement culture and proactive behaviour. At the same time it consistently confronts organisational members with lagging results.
Action orientation	Behavioural	The performance information is integrated in the daily activities of organisational members in such a way that problems are immediately addressed and (corrective or preventive) actions are taken.
Communication	Behavioural	Communication about the results (top-down and bottom-up) takes place at regular intervals as well as the sharing of knowledge and performance information between organisational units.
Alignment	-	Other management systems in the organisation such as the human resource management system, are well aligned with performance management, so what is important to the organisation is regularly evaluated and rewarded.

Dr AA de Waal, the author of the PMA®, approved usage of the instrument for research purposes after the Performance Management System section of the PMSAI was already developed and distributed, based on **Table 4-3** above. The PMA® was used in extensive Performance Management research in Dutch and UK organisations (De Waal, 2004).



## 4.4

## SAMPLE SIZE AND DATA COLLECTION

### 4.4.1

#### Phase 1

The participants in the personal interview were selected on a non-probability convenience basis based on formal associates of the researcher. The respondents were a senior member of a software team in Nedcor, a financial institution involved in the implementation of Performance Management software, and the chief designer of the Performance Management system, who reports on executive level in the bank. The designer was tasked to design and oversee implementation of a Performance Management System for utilisation on multiple management levels in the bank, the implementation of which was in its final stages.

### 4.4.2

#### Phase 2

#### 4.4.2.1

##### The PMSAI

The members of the sample were selected on a non-probability convenience basis, based on formal associates of the researcher, due to cost-constraints. Data was collected at a call centre workforce management software user group conference held in Johannesburg. A sample of twenty completed PMSAI questionnaires were distributed and collected, of which, one had to be discarded. The respondents' position in the call centre varied, but mainly consisted of resource analysts and operations managers aligned with the focus of the conference. Their years of experience in the call centre also varied between three and ten years, with seniority mostly on middle management level. The sample posed limitations on the study mainly due to the following factors:

- Small sample size limits the statistical assessment of the reliability and validity of the results
- Limited representativeness of results of performance management systems in call centres in general – a convenience sample offers no controls to ensure precision (Cooper & Schindler, 2003)
- No executive members of call centres were present at the conference and therefore the research does not include executive opinion at all
- Only two senior management members completed the questionnaire
- The sample being users of a specific software package may or may not have certain views on performance management related issues due to software 'induced' practices in their respective organisations and its control and management systems.
- The questionnaire is quite lengthy, which may have compromised the quality of the response. This was aggravated by that fact that the session set aside to complete the questionnaire was scheduled at a time that respondents may have been tired.

A copy of the instrument used in the research is attached as Appendix 1 of this report.

The PMA® tool (De Waal, 2004) is implemented in Microsoft Excel and was sent out electronically to a small sample of three respondents, on a non-probability convenience basis, also formal associates of the researcher. The sample of the PMA® did not overlap with the sample of the PMSAI. All three respondents were operationally in charge of call centres in South Africa at the time of the research. Only one respondent complained about the complexity of the questionnaire. The sample posed the same applicability limitations, as in the case of the PMSAI due to the fact that it is also a small, convenience sample.

#### 4.4.3

#### **Data Collection in the South African Call Centre Industry**

In general, the call centre industry worldwide is heavily researched commercially. South Africa is no exception. Results of surveys are mostly used for business research and benchmarking purposes with a view on off-shore opportunities and show casing. Results are published in glamorous, high-priced reports. Call centre respondents complained of being overly inundated with surveys some stating that call centre managers have to complete on average two surveys per week (Jones, 2005). This factor tends to hinder the enthusiasm for academic research in this industry.

## **CHAPTER 5. RESEARCH RESULTS**

### **5.1 RESULTS BASED ON THE INTERVIEW**

The interview was done at Nedcor, one of the five major banks in South Africa. At the time, the bank was in the process of implementing business intelligence software to support the management of performance. The Balanced Scorecard, with its standard perspectives, is used as performance management methodology. The bank also considered the necessary performance management system structure by means of processes, governance and policies on micro and macro level.

One of the main reasons the bank implemented performance management on such a scale was to facilitate equitable recognition by means of rewards and bonuses on all levels in the bank. Alternatively, training requirements are identified based on unsatisfactory results.

Some of the main issues to be considered in the design of the Performance Management System based on the opinion of the interviewees are:

- Close and visible involvement of top management in the organisation's performance management efforts
- The ability of the system to handle change in direction of the business is of utmost importance
- The involvement, communication and interfacing of the team or individual with the system with regards to performance objectives and targets must be as simple as possible – a “one pager” if need be.
- Transparency in the system is of utmost importance in order to achieve and maintain buy-in on all levels in the organisation

### **5.2 RESULTS OBTAINED WITH THE PMSAI**

The findings obtained with the PMSAI sample are listed in this section, reporting on the results within each category of the instrument and on the correlation of these scores with the overall rating of the Performance Management System (PMS). The items per category are thus rated for importance amongst themselves and also their relative contribution to an effective PMS.

#### **5.2.1 Performance Management Section**

The mean scores of the fifteen items in the Performance Management Section were mapped to and then compared on a ten-point scale. These scores represent the “desired” values (the level of contribution of the item towards the effectiveness of the PMS). The item rated to contribute most towards a successful PMS is the ability of the PMS to measure the “important” things in the business. Factors related to performance information and the effective communication thereof account for six out of the top nine items. The perception

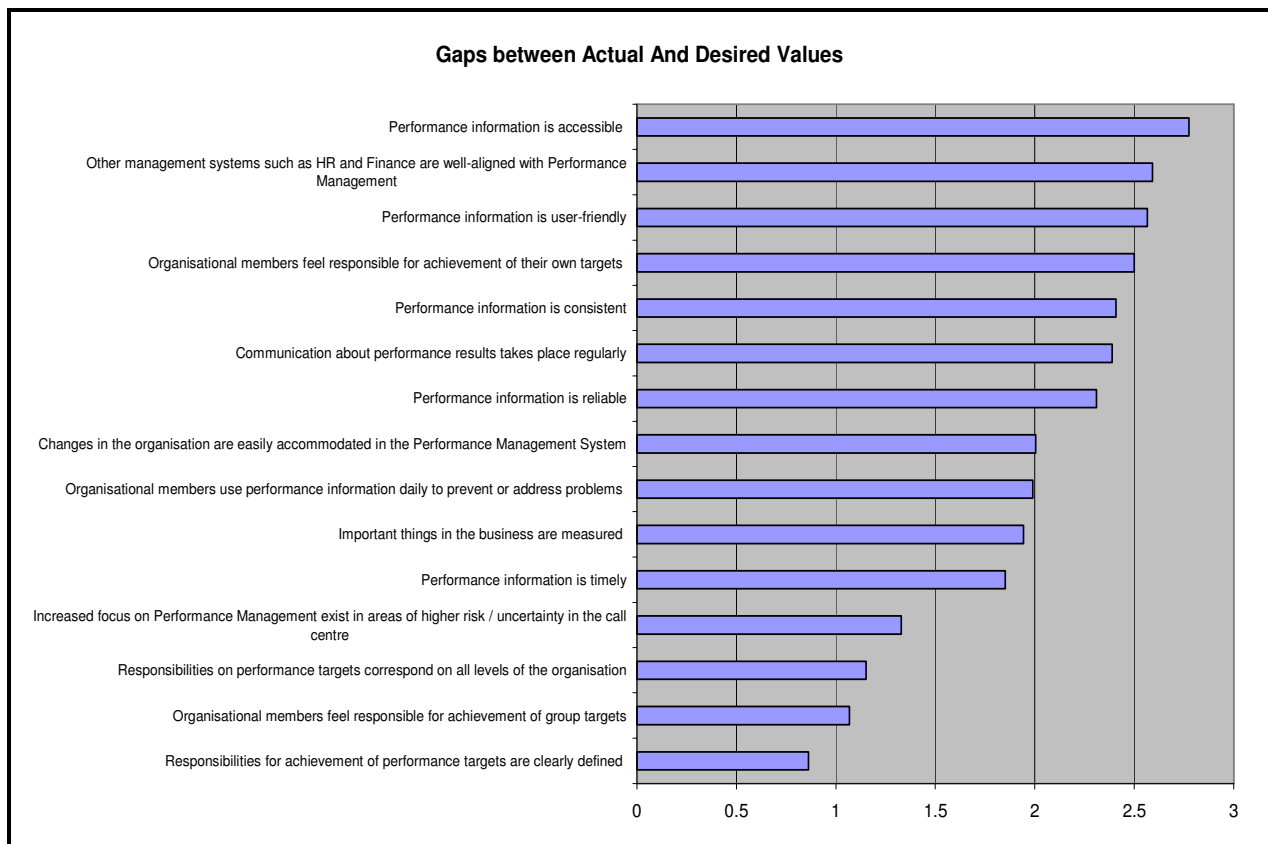
exist that organisational members' feeling responsible for their own targets contributes more than their feeling of responsibility for group targets towards the success of the PMS (9.17 vs 8.89).

**Table 5-1: Ranked PMS Items**

Ranking	Performance Management System Item	Mean	Category S=Structural B=Behaviour A=alignment
1.	Important things in the business are measured	1.17	S
2.	Organisational members feel responsible for achievement of their own targets	1.25	B
3.	Performance information is accessible	1.31	S
4.	Responsibilities for achievement of performance targets are clearly defined	1.33	S
5.	Performance information is reliable	1.33	S
6.	Performance information is user-friendly	1.38	S
7.	Communication about performance results takes place regularly	1.39	B
8.	Performance information is consistent	1.44	S
9.	Performance information is timely	1.47	S
10.	Organisational members use performance information daily to prevent or address problems	1.47	B
11.	Responsibilities on performance targets correspond on all levels of the organisation	1.53	S
12.	Other management systems such as HR and Finance are well-aligned with Performance Management	1.56	A
13.	Organisational members feel responsible for achievement of group targets	1.56	B
14.	Increased focus on Performance Management exist in areas of higher risk / uncertainty in the call centre	1.59	A
15.	Changes in the organisation are easily accommodated in the Performance Management System	1.72	A

The differences (gaps) between the “desired” and “actual” scores achieved (as experienced in the call centre’s current PMS) are listed in the diagram below. The biggest gap recorded by this research is the ability of South African call centre PMS’s to make the performance management information accessible to the organisation. Current PMS’s fare the best when it comes to the clear definition of responsibilities for performance targets. Five out of seven items that obtained a gap of two or more points are related to performance information and the regular communication thereof.

**Figure 5-1: Gaps between Actual and Desired Mean Values – PMS Items**

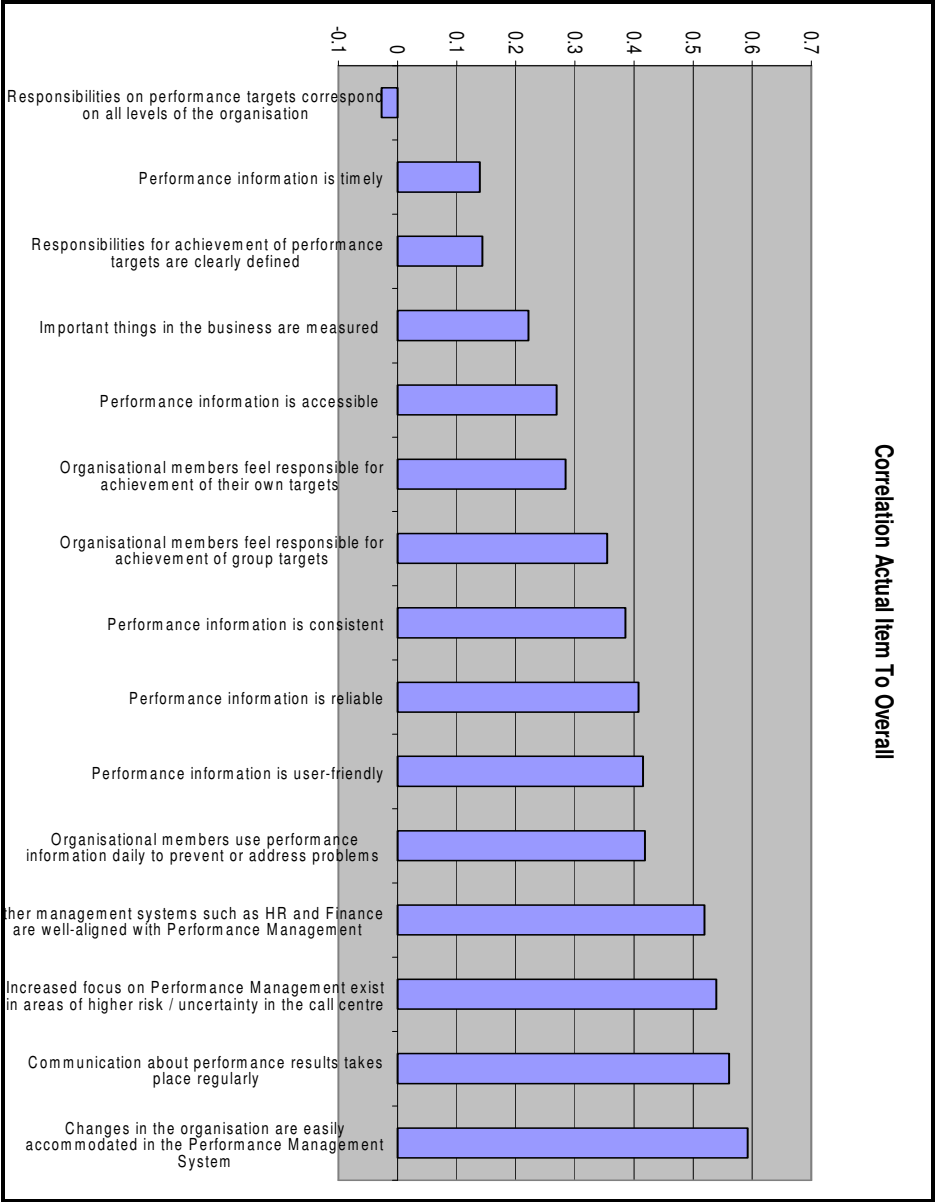


Correlation between the items listed in this section of the research (actual values) with the overall score of effectiveness of the call centre PMS’s were calculated and ranked. The results are listed in below. The item that correlates strongest to the effectiveness of the PMS is the ability of the PMS to accommodate changes in the organisation, followed by regular communication of performance results. Three out of the four factors registering a correlation factor of higher than 0.5 relates to the ability of the PMS to adapt to factors in its environment i.e

- Organisational changes encountered
- Situations of higher / lower risk in the business
- Other management systems (HR, Finance etc)

One possible conclusion on these results is that PMs's that go as far as catering for factors in its environment (after having addressed all the other important matters) are viewed as effective.

**Figure 5-2: Correlation Actual PMS attribute to Overall PMS Effectiveness Score**



**5.2.2**

**Purpose of the Performance Management System**

The average scores of the eleven purposes of the Performance Management System were compared and listed in **Table 5-2** below. These scores represent the perception of the respondents of the purpose of a PMS.

**Table 5-2: Purpose of the PMS – Mean Values**

Purpose	Mean
For support in the call centre efforts to enhance quality	5.33
To determine the bonuses awarded to management and/or staff	5.28
For decision support on operating level	5.06
To facilitate development of staff in the call centre	4.94
For decision support on top-management level	4.67
To identify possible needs for changes in strategy	4.50
To provide a better picture of product / service profitability	4.50
For benchmarking with similar business / units	4.50
For responsibility accounting	4.35
To provide supporting documentation for external reporting	4.28
To monitor whether the call centre is creating value to its shareholders	4.22

The views of relative importance of a particular purpose as correlated to the overall score are represented in

**Table 5-3** below. From this can be derived that respondents who rated high the purpose of a PMS to facilitate staff development and act as instrument for decision-making on top level and for bonus-setting, generally also have more effective PMS's.

**Table 5-3: Correlation of PMS Purpose with Total PMS Score**

Correlation of PMS Purpose to Total PMS Score	
To provide a better picture of product / service profitability	0.16
For benchmarking with similar business / units	0.19
To provide supporting documentation for external reporting	0.23
For support in the call centre efforts to enhance quality	0.24
To monitor whether the call centre is creating value to its shareholders	0.32
To identify possible needs for changes in strategy	0.32
For responsibility accounting	0.35
For decision support on operating level	0.37
To determine the bonuses awarded to management and/or staff	0.47
For decision support on top-management level	0.49
To facilitate development of staff in the call centre	0.65

### 5.2.3 Types of Performance Measures

The average scores of the fourteen types of performance measures of Nilsson & Kald (2002) were mapped to and then compared on a ten-point scale (see **Table 5-3** below). These scores represent the “desired” values (the perceived level of contribution of the measure towards the effectiveness of the PMS), the “actual” value which is the extent to which the measure is perceived to be used in the call centre as well as the difference between these two values (calculated). To have the ability to measure customer satisfaction is rated the most important amongst these measures in order for the PMS to be successful. However, three of the top five important measures are “internally focused” measures (Nilsson & Kald, 2002), which corresponds to other views of call centres’ obsession with internal efficiency (Marr & Neely, 2005).

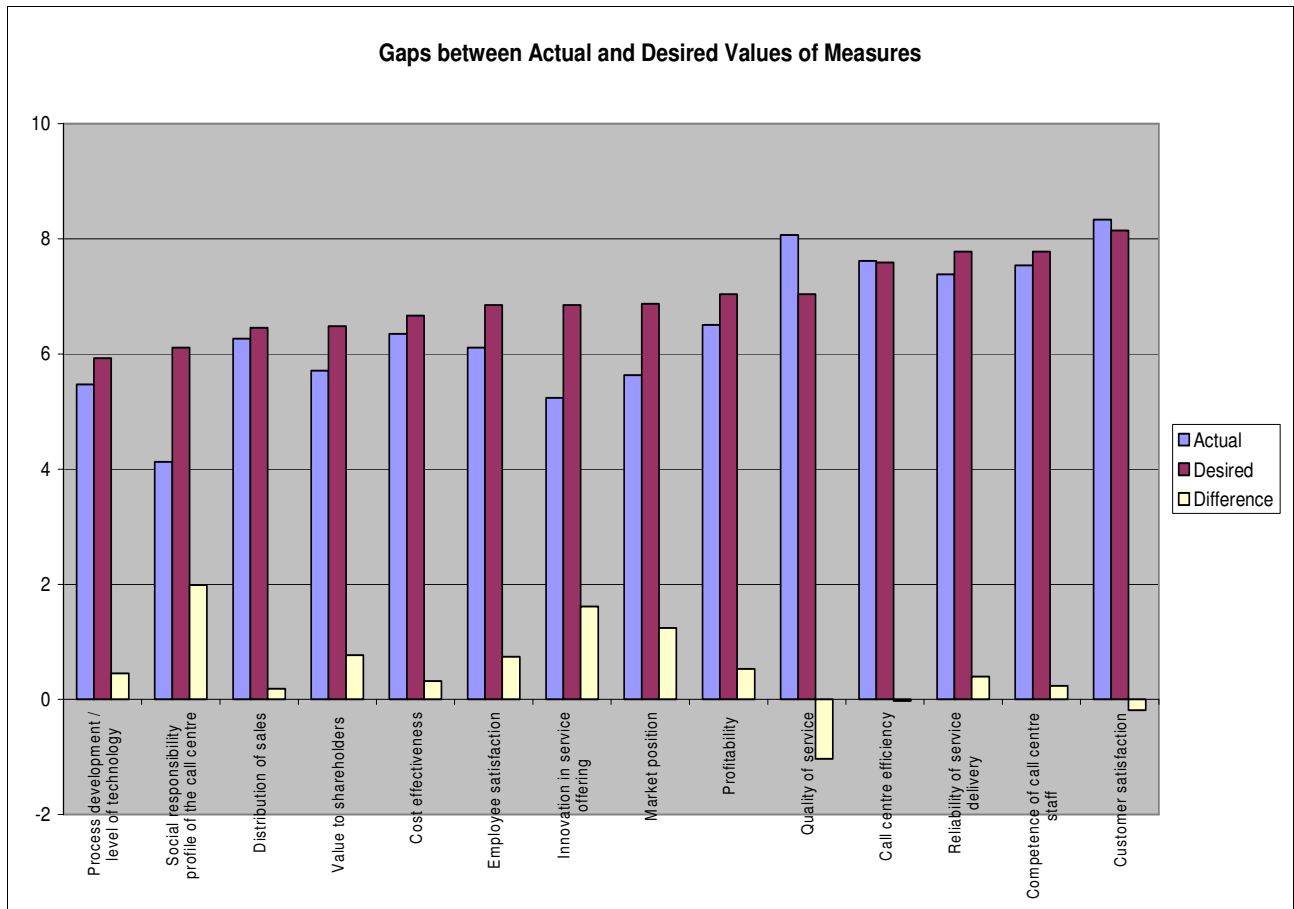
Two of these five measures may be viewed as “over measured”, as they have a higher “actual” usage than “desired” usage value. None of the top five measures are of a “financial” nature, which may again be attributed to the management level of the respondents and their awareness of the types of measures required to effectively manage the call centre’s performance overall. The biggest room for improvement is indicated by the gaps in viewed importance and actual measurement of the social responsibility profiles of call centres in South Africa followed by innovation in service offering. In fact, the South African call centres under study seem to focus heavily on internally focused measures. On the other hand, measures focused on development (important to long-term strategy and competitiveness) and externally focused measures (reflecting the general health of the call centre’s relations) do not appear to be very important. Surprisingly, financial measures also carry less weight compared to the internally focused measures (information on the operating level about effectiveness, efficiency and quality), and maybe attributed to the middle-management bias of the sample.

The mean values for level of use per measurement category are as follows:

Measures focused on development:	4.26
Externally focused measures:	4.22
Financial measures:	4.35
Internally focused measures:	5.38



**Figure 5-3: Comparison Desired and Actual Importance Mean Values of Measures**



The level to which a particular measure is used and its correlation to the overall PMS effectiveness score is represented in **Table 5-4** below. The measurement of call centre staff's competence correlates most strongly to the effectiveness score. This could be interpreted in more than one way - the middle management bias again could be one reason for this. However, closer investigation reveals a number of measures that correlate closely to call centre staff competence i.e. profitability (0.51), reliability of service delivery (0.78), call centre efficiency (0.87) and process development (0.51). This indicates causality in performance that could have an effect on the averages use rates of the measures listed. An overall correlation matrix that contains all the inter-measure correlation figures is listed in **Table 5-5**.

The fact that no correlation between scores on measurement of employee satisfaction and distribution of sales and the overall scores was recorded is difficult to explain - respondents seem to think that measurement of employee satisfaction and distribution of sales does not improve the effectiveness of the performance management system. Equally puzzling is the small negative (almost no) correlation between employee satisfaction and staff competence on measure use.

**Table 5-4: Correlation of Level of Actual Use of Measure to Overall Score**

<b>Ranking</b>	<b>Measure</b>	<b>Correlation to Overall Score</b>
1.	Competence of call centre staff	0.72
2.	Call centre efficiency	0.56
3.	Reliability of service delivery	0.53
4.	Process development / level of technology	0.48
5.	Profitability	0.46
6.	Social responsibility profile of the call centre	0.45
7.	Quality of service	0.44
8.	Innovation in service offering	0.42
9.	Customer satisfaction	0.41
10.	Market position	0.39
11.	Cost effectiveness	0.36
12.	Value to shareholders	0.31
13.	Employee satisfaction	0.1
14.	Distribution of sales	0.06

Other measures that have actual use figures that indicate strong inter-measure correlation are competence of staff and call centre efficiency (0.87), quality of service and reliability of service deliver (0.85) and innovation in service offering and profitability (0.71). The fact that use of the measures correlate merely confirms that causality in performance is recognised in the PMS's of the call centres.

Table 5-5: Measures Correlation Matrix

	Value to shareholders	Profitability	Distribution of sales	Cost effectiveness	Customer satisfaction	Reliability of service delivery	Market position	Call centre efficiency	Process development / level of technology	Quality of service	Competence of call centre staff	Employee satisfaction	Innovation in service offering
Profitability	<b>0.63</b>												
Distribution of sales	<b>0.65</b>	0.25											
Cost effectiveness	<b>0.55</b>	<b>0.61</b>	<b>0.51</b>										
Customer satisfaction	0.25	0.18	0.25	0.49									
Reliability of service delivery	0.15	0.38	0.03	<b>0.56</b>	<b>0.61</b>								
Market position	<b>0.53</b>	0.48	0.44	<b>0.66</b>	0.35	0.03							
Call centre efficiency	0.16	0.48	-0.06	0.36	0.49	<b>0.75</b>	0.07						
Process development / level of technology	<b>0.53</b>	<b>0.63</b>	0.39	<b>0.69</b>	0.20	<b>0.52</b>	0.29	<b>0.54</b>					
Quality of service	0.12	-0.10	0.30	0.38	<b>0.85</b>	<b>0.51</b>	0.26	0.38	0.14				
Competence of call centre staff	0.11	<b>0.51</b>	-0.16	0.34	0.40	<b>0.78</b>	-0.05	<b>0.87</b>	<b>0.51</b>	0.35			
Employee satisfaction	0.41	0.25	<b>0.64</b>	0.23	0.22	-0.21	0.41	-0.10	0.11	0.13	-0.26		
Innovation in service offering	0.38	<b>0.71</b>	0.21	0.40	0.05	0.24	0.27	0.36	<b>0.56</b>	-0.15	0.31	<b>0.58</b>	
Social responsibility profile of the call centre	0.27	0.19	0.06	0.35	0.07	0.22	0.26	0.13	<b>0.52</b>	0.13	0.11	0.22	<b>0.54</b>

#### 5.2.4 Application Level of the Performance Management Section

As can be expected, high levels of application are found on call centre, individual and team levels as indicated in **Table 5-6** below, but the highest correlation to the overall effectiveness score is found if performance measurement is done on corporate level and process level. This confirms the importance of integration of the PMS on a company-wide basis in order to maximise its effectiveness.

**Table 5-6: Application Level Mean Values**

Application Level	Mean	Corr Overall
Call centre level	6.32	0.46
Individual level	5.95	0.50
Team level	5.79	0.48
Product / Service Level	5.74	0.39
Corporate level (if appropriate)	5.06	0.67
Process level (across teams / departments)	4.63	0.64
Project Level	4.22	0.50

#### 5.2.5 Elements of the Performance Management System

Proper processes and Information Systems stand out as elements of a Performance Management System applied and deemed important in the call centres under observation. The inward, operational view is again encountered in the fact that processes in the call centres to improve performance based on the results obtained (diagnostic use) correlate stronger to effective performance management, than processes required to enhance the strategy (interactive use).

**Table 5-7: PMS Elements Mean Values and Correlation to Overall Score**

Performance Management System Element	Corr Overall Score	Mean Value
Qualified measurement instruments exist to measure subjective criteria such as customer satisfaction etc	0.28	4.79
Performance Management is supported by adequate policies and procedures in the call centre	0.59	4.84
Processes exist to trigger changes in strategy (objectives and targets) based on performance results	0.65	4.62
Proven methodologies are employed by the call centre to manage performance (eg. Balanced Scorecard, KPI hierarchy etc)	0.70	4.63
Roles of HR, line management, staff, project teams are clearly defined in the Performance Management Process	0.74	4.26
The effectiveness of the Performance Management System itself is reviewed with a view on its improvement	0.74	4.32
Measures are well defined to promote standardisation of measurement	0.76	4.89
Information Systems are adequately employed to provide performance information	0.77	4.89
Processes exist to trigger improvement of performance based on performance results	0.81	4.79
Processes exist to plan for performance (objective and target setting)	0.85	4.84
Processes to manage performance are visibly adhered to	0.86	4.84
Processes exist to measure performance	0.88	5.16

### 5.3

### RESULTS OBTAINED WITH THE PMA®

Some of the findings obtained with the PMA® sample are reported in this section and summarised in **Table 5-8** below. Meaningful interpretation by means of statistical analysis was deemed unlikely due to the small sample size. The aim in this case was rather to gather qualitative that confirms trends as already identified in the research results obtained with the PMSAI, or alternatively areas overlooked in its design.

As in the case with the PMSAI, performance information as a key ingredient of, and area that can potentially be improved, was reported. The biggest gaps between the so-called future (desired) situation and the current situation were recorded in the “Manageability of the Performance Information” category. This category assesses factors such as the timeliness, reliability, relevance and standardisation aspects of performance information.

Alignment, referring to alignment of the PMS with other management systems was also deemed important for the 'desired' PMS as was the case with the PMSAI sample. Management style, a category in the PMA® that refers to the performance management 'style' managers apply, whether they are visibly involved, as well as actively and consistently dealing with performance results, irrespective of whether perceived as good or bad. This category was not included in the PMSAI and based on the results of the PMA® sample it could included based on its importance.

**Table 5-8: Summary of Results of PMA®**

	<b>Case1</b>		<b>Case 2</b>		<b>Case 3</b>	
<b>Factor</b>	<b>Current</b>	<b>Future</b>	<b>Current</b>	<b>Future</b>	<b>Current</b>	<b>Future</b>
Organisational Environment	7.3		10		6	
<b>Alignment</b>	<b>7.2</b>	<b>8.6</b>	<b>2.2</b>	<b>9.4</b>	<b>7.6</b>	<b>8.2</b>
Responsibility structure	6	7.75	3.5	8.5	6.5	7.75
Content	4.4	6.4	3	9	6.6	7.8
Integrity	4.4	7.4	1.6	9.6	8.4	8.8
<b>Manageability</b>	<b>4.4</b>	<b>6.8</b>	<b>3.2</b>	<b>9.4</b>	<b>6.8</b>	<b>8.6</b>
Accountability	5.8	7.6	3.2	9.4	7.8	8.8
<b>Management style</b>	<b>6</b>	<b>7.8</b>	<b>2.8</b>	<b>9</b>	<b>8.2</b>	<b>9.6</b>
Action orientation	6.4	8	2.6	9	6.6	8.2
Communication	4.6	6.6	1.6	9.2	7.4	8.2
Relative Competitive Performance	10		6.7		10	

## CHAPTER 6. DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

### 6.1 CONCLUSIONS

Subject to the restrictive conditions imposed by the limitations of the research, the main findings of this research are listed below.

#### 6.1.1 Organisational Factors Impact on Performance Management Purpose

The results for the different Purposes of Performance Management were summarised firstly per purposes for diagnostic use and interactive use and secondly, differences in results for call centres where the call centre is the main business (outsource operation) and where call centre is part of a bigger business (in-house call centre).

##### 6.1.1.1 Diagnostic Use

**Table 6-1: PMS Purpose - Diagnostic Use**

	Not main business		Main Business		Overall	
	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev
To determine the bonuses awarded to management and/or staff**	5.30	1.16	5.00	2.38	5.28	1.71
To facilitate development of staff in the call centre**	4.90	1.20	4.71	1.98	4.94	1.55
To provide a better picture of product / service profitability	4.90	1.60	4.00	2.00	4.50	1.72
For responsibility accounting	4.89	0.60	4.00	2.08	4.35	1.54
To provide supporting documentation for external reporting	5.00	0.94	3.43	2.64	4.28	1.90
To monitor whether the call centre is creating value to its shareholders	5.10	1.66	3.00	2.08	4.22	2.02

\*\* Insignificant difference between call centre (Main Business and Not Main Business)

According to **Table 6-1** 'to determine the bonuses awarded to management or staff' and 'to facilitate development of staff in the call centre' are two important purposes for performance management systems in South African call centres. This is inconsistent with expectations (Anthony, 1965) and findings in Nordic countries (Nillson & Kald, 2002) that used performance management system diagnostically to follow up on profitability, but consistent

with the normative view that performance management should be clearly linked to a bonus system (Rappaport, 1998). Reasons for this may be the middle management bias of the respondents, who perhaps do not deal with profitability of the call centres' services on a daily basis, or a bias that originates due to the focus of the conference (workforce management). Interestingly, the call centres as part of bigger organisations felt that performance management is used to illustrate value creation to its shareholders significantly more so than where the call centre is the main business of the company.

The purpose of performance management (diagnostic use) is to reflect on past performance and use the information to plan how to do things better (single loop learning). (Simons, 1995). In this category significant differences in their view of the purpose of performance management (diagnostic use) were found between the two groups, the call centres as main business recording lower use of performance management in all categories.

#### 6.1.1.2 Interactive Use

**Table 6-2: PMS Purpose - Interactive Use**

	Not Main Business		Main Business		Overall	
	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev
For support in the call centre efforts to enhance quality	5.50	0.97	4.86	2.12	5.33	1.53
For decision support on operating level	5.20	1.03	4.57	2.30	5.06	1.66
For decision support on top-management level	5.40	0.70	3.86	2.04	4.67	1.57
To identify possible needs for changes in strategy**	4.30	1.49	4.43	2.23	4.50	1.82
For benchmarking with similar business / units**	4.70	1.64	4.14	1.95	4.50	1.69

\*\* Insignificant difference between call centre (Main Business and Not Main Business)

Both groups feel that the most important reason to have a Performance Management System is to enable them to enhance quality, which is consistent with the focus in call centres to measure quality and efficiency. Interactive use as purpose of the Performance Management System relates to develop new so-called 'emergent' strategy (Simons, 1995). For this reason it is imperative that managers reflect on current strategy on operational and top-management level. This is consistent with findings in Nordic countries that decision support for interactive use is found in the top-three interactive uses of performance management (Nillson & Kald, 2002). Once again there are significant differences between



how the two call centre groups (main business & not main business) feel about the purpose of performance management.

Based on the data of this research, the position of the call centre (“embedded” organisation) in relation to a bigger organisation with broader strategies and goals impacted on the respondents’ view of the purpose of Performance Management. The Performance Management System of a bigger organisation serves more (diverse) business units and may have a bigger focus of integrating strategies and results (top three interactive uses of Performance Management recorded a significant difference - **Table 6-2**). Similarly, reporting to higher authorities is an important focus for these call centres (difference in scores “To provide supporting documentation for external reporting” - **Table 6-1**). Differences on whether the call centres are dominantly in- or outbound also had an impact on the respondents view of the purpose of the PMS as can be seen from the telemarketers’ view of the PMS purpose vs the call centres that do not embark on telemarketing.

**Table 6-3: Purpose of PMS for Telemarketers**

Mean Values	Telemarketing: No	Telemarketing: Yes
To provide a better picture of product / service profitability	5	3.875
For benchmarking with similar business / units	5.5	3.25

As not all the factors were investigated it is difficult to define what these factors are but one can conclude by saying that factors in / of the organisation impact on what the organisation thinks the purpose of the Performance Management System is.

#### **6.1.2 A relationship exist between structural and behavioural aspects in the PMS**

The aspects evaluated as part of the PMS and reported on in **Table 5-1** were categorised as either structural, behavioural or alignment, the structural aspects being those that deal with the content of performance management and the way it is organised and the behavioural aspects those that deal with the way organisational members apply performance management (De Waal, 2004).

If the mean values per respondent for structural and behavioural factors of the PMS are calculated and correlated the correlation coefficient returned is 0.91. This indicates that views on structural and behavioural factors in the performance management system are strongly correlated in the sample from the South African call centre industry, which creates evidence of a relationship that may exist between structural and behavioural aspects of the PMS. The direction of the relationship is not evident from the findings.

### 6.1.3 Important to Measure the Important Things

Call centres in South Africa feel that sensitivity for importance of measures in the performance management system is the most important structural factor included in the research. This is consistent with other findings that reflect on call centres' current tendency to measure 'unimportant' things (Marr & Neely, 2005; Gilmore, 2001; Miciak & Desmarais, 2001; Feinberg et al, 2000 and Tayles et al, 2002) and to start focusing on what is important.

On a broader scale it also confirms the views of authors such as Vitale & Mavrinac (1995) who evaluated warning signs of ineffective performance measurement systems. They argue that performance measurement systems should reflect business goals (in a strategic performance model) on a strategic level by means of performance indicators that link strategic objectives to functional tasks. This can be done by focusing on what is strategically imperative. If this is not done, the "hard-won insights in the organisation's strategy can be lost".

There seems to be two factors inherent to this factor. On the one hand the issue is to not leave unmeasured the strategically important indicators, but on the other hand also to not be swamped with unimportant indicators of performance.

### 6.1.4 Unsatisfactory Performance Information in South African Call Centres

Based on the findings of the research it is evident that performance information in South African call centres (

**Figure 5-1**) does not currently match expectations. It was found that the Performance Information is:

- Not accessible enough
- Not user-friendly enough
- Not consistent enough

Furthermore, one of the biggest gaps recorded between desired and actual values of PMS Items is the gap on alignment of the Performance Management System with other systems such as HR and Finance. One can speculate that can also be related to non-alignment of information in these systems.

If one takes into account that proper processes and information systems scored the top five positions on the importance of performance management system elements, (**Table 5-7**) and are highly correlated to the overall effectiveness score this seems to be an area of concern.

This is in contrast with the four areas of benefits that can be delivered by performance management information systems (Sharif, 2002) listed in a study that benchmarked of-the-shelf performance management software, i.e.:

- Visibility – ability to recognise relationships between performance results in different organisational units, relate performance information to responsibilities;
- Timeliness – aid timely decision making;
- Quality – aids a common understanding of the definitions of performance data, and audit trail will be kept of errors in reporting;
- Processes - process of decision making supported by common method of reporting.

Olve et al (2000) states that although a company can have balanced scorecards that express its vision and strategy in concrete goals and measures, it still faces the “considerable challenge” of building up a system that collects relevant information and communicates it to employees and partners. They argue that in order to obtain the required behavioural changes (through proper management of performance), the information must be presented:

- In a communicative manner;
- In a user-friendly environment;
- Easy to access; and
- Collected in a cost-effective manner.

Clearly, this is not true in the case of the call centres under review.

#### 6.1.5 Internal Focus in SA Call Centre Performance Management

Evidence was found that the South African call centres under review have an overwhelmingly internal focus when it comes to performance management i.e.

- Mean values for actual measure-usage internal focus measurement category (par 5.2.3 above)
- Highest ranking purpose: for support in the call centre efforts to enhance quality (**Table 5-2**)
- Competence of call centre staff – highest correlation with effective PMS ( **Table 5-4**)
- The top three performance management application levels are *inside* the call centre (**Table 5-6**).

This can be due to the middle-management bias, but even so, this situation raises certain concerns. One is strongly reminded of Otley et al's (1995) Closed Rational Perspective category of management control systems, and cannot help to feel that these organisations

may consequently show symptoms of Von Bertalanffy's (1950) second law of thermodynamics, and start to 'gradually run down, increasing in entropy...'.

The 2005 Merchant Global Benchmarking Report stated that major shifts are developing in the (global) contact centre industry, particularly from a cost-orientated to a performance-centred culture. This performance orientation is taking into account three major parties: the customer, the organisation and the staff. If South Africa wishes to reach its vision to provide world-class offshore solutions, it should therefore increase its external and developmental focus on performance.

## 6.2

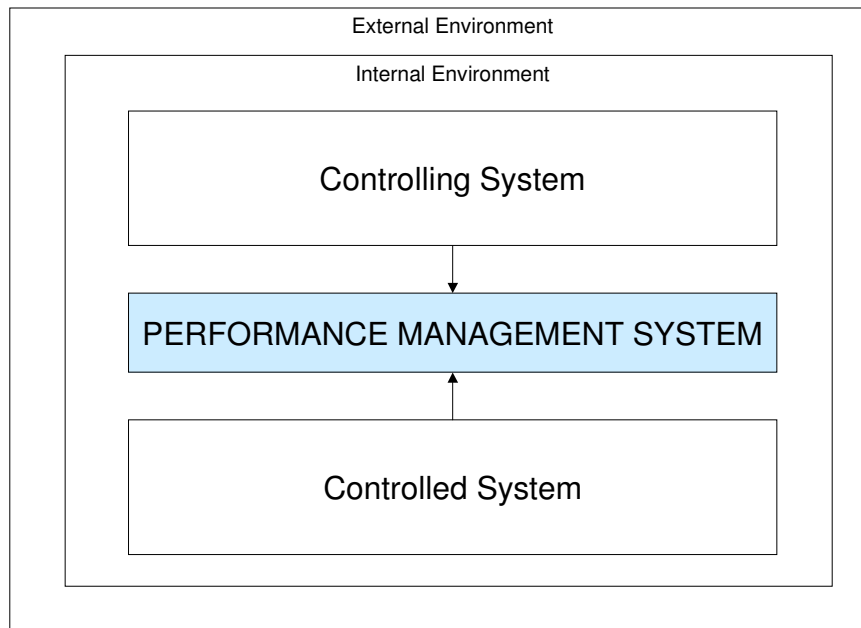
## DISCUSSION AND RECOMMENDATIONS

### 6.2.1

### Context of the Performance Management System

According to De Waal (2002) a performance management system can be viewed as the way by which the controlling system (the management system of the organisation) gets information about the performance of the 'controlled system' and the controlled system obtains information about its own performance (**Figure 6-1**).

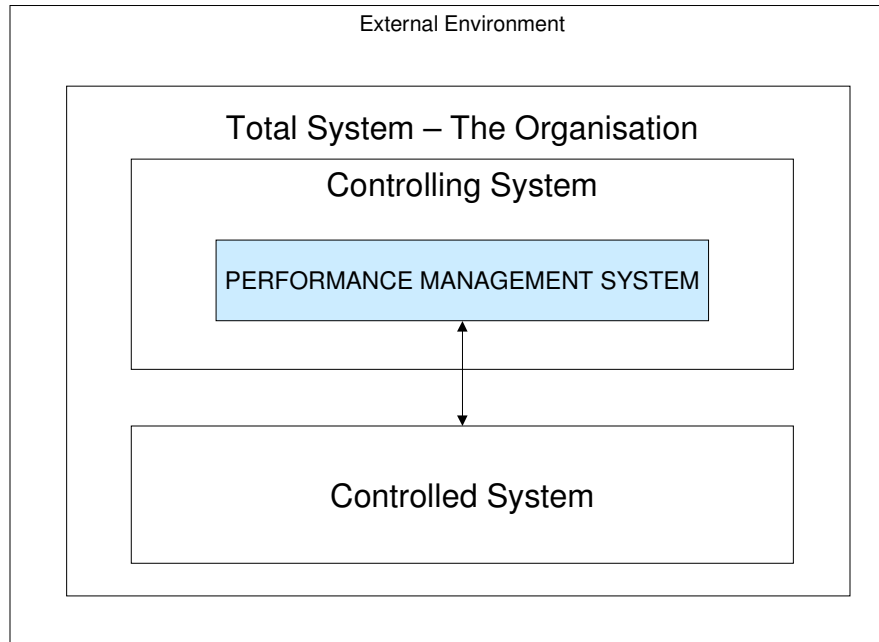
**Figure 6-1: Context of the Performance Management System (1)**



Alternatively, it can be argued that the Performance Management System is one of the elements of the Management System (the controlling system), and thereby it inherits certain attributes (structural and behavioural) of the management system, the total system i.e. the organisation (De Waal's internal environment) and the environment (De Waal's external

environment). It fulfils one of the functions of the management system – Katz & Kahn (1966)'s control function - and is an enabler mechanism of management as such (**Figure 6-2** below). It offers single - and double loop learning to the organisation through its diagnostic and interactive levers of control (Simons, 1995) in order to achieve the desired performance outcome.

**Figure 6-2: Context of the Performance Management System (2)**



### 6.2.2 An Effective Performance Management System

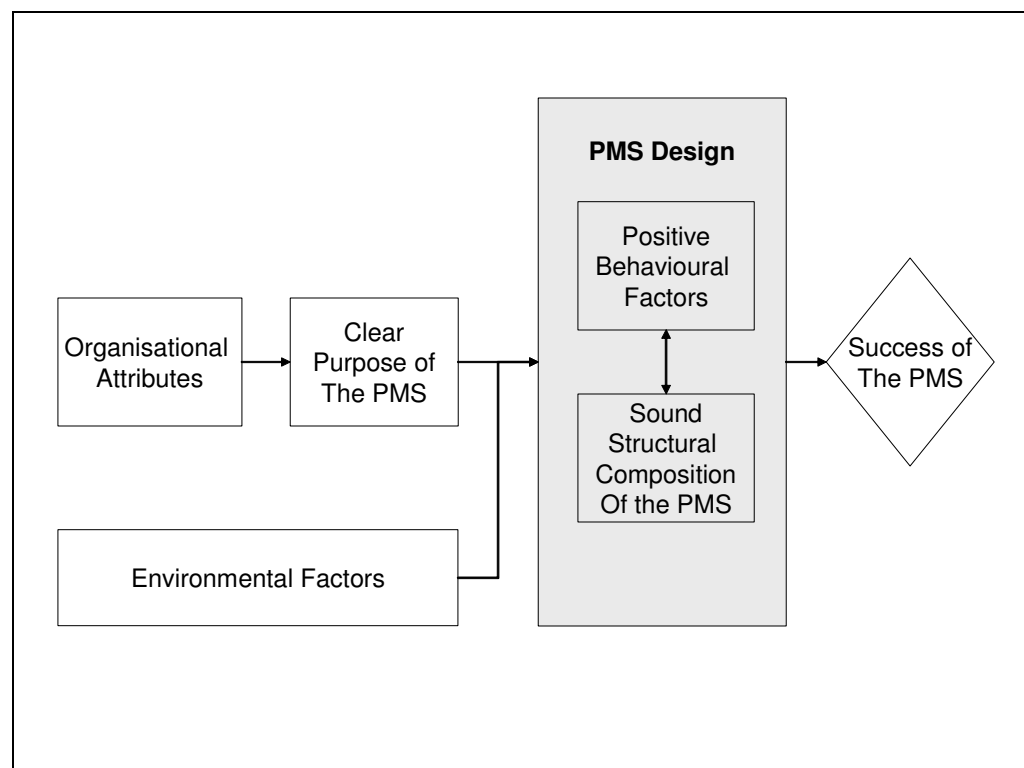
Findings of this research indicate that internal, organisational attributes influence the purpose (s) of the PMS, refer the difference in view of purpose of the call centres that are part of bigger organisations and those who are independent call centres, and telemarketers vs non-telemarketers on purpose. the call centres who function as part of bigger organisations have a different focus in terms of profitability due to the fact that many if not all of them function as cost centres. The telemarketers are based mainly in outbound call centres which has a different operational and customer orientation. Other attributes could be the number of levels in the organisation's hierarchy, the implementation of other management models such as project management, the availability of information systems etc.

Taking a teleological stance, the purpose of the Performance Management System ultimately should determine the design of the Performance Management System. The design in turn, should address structural and behavioural factors, De Waal (2002, 2004) in order to be successful.

Although as mentioned earlier, results are inconclusive with regards to the impact of the company's strategy and strategic posture (e.g. cost-leaders, differentiators) and the design of the performance measurement system, one can safely reason that external factors, such as competitors, competitiveness and other factors of the industry, the economic stability of the industry and/or country, or labour laws of the country in which the company operates may have also an impact on the design of the Performance Management System, or alternatively influence the purpose and therefore the design.

The purpose(s) for which a company measure and manage performance determines the structural layout of the PMS, which in turn has an impact on the behavioural aspects as a system's structure gives rise to its behaviour, Sterman (2000).

**Figure 6-3 Causal Model of Successful Performance Management**



The design focus from this point further is on the structural aspects (or elements and its inter-relationships) of the PMS. A matter that comes to the fore when attempting to design a performance management system is the complexity surrounding context and the content.

For an organisation to formulate a strategy it needs to build a mental model, or cognitive map of the causal attributions related to the achievement of its strategic objectives. This model serves as vital input to the management of performance so that causal relationships can be scrutinized by facilitating time-delays in performance planning. This cognitive map coined as a strategy map by Kaplan & Norton (2003) determines what will eventually be measured and is therefore content in the PMS.

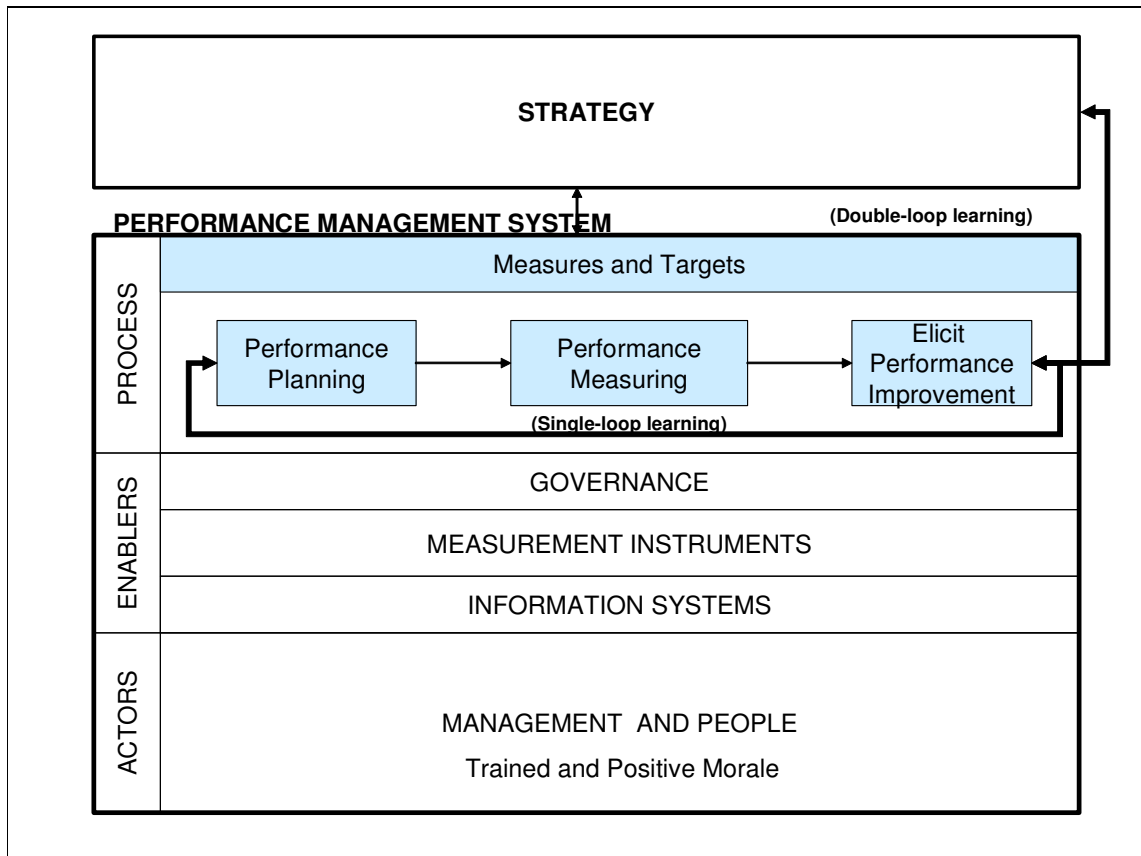
A model for a Performance Management System based on the theory reviewed and the research findings is given in **Figure 6-4**. it includes Schoderbeck et al (1980) 's four basic elements of a control system translated for a Performance Management System and are:

- The measures (variables to be controlled) themselves, and specifically the types of measures (i.e. financial, non-financial)
- The (transfer) process (Checkland, 1991) consisting of:
  - The planning for desired performance based on the intended and emergent strategies of the organisation (or rather cognitive map of its strategies) - the detector or scanning subsystem
  - The measurement subsystem – (comparator) and
  - The elicit performance improvement sub-system – (the activator or action-taking sub-system)

These main elements are supported by enablers consisting of governance, measurement instruments and performance management information systems and then the actors (Checkland, 1991) who are initiators of change and learning.

Also present are the two main feedback loops (single and double-loop learning) to enable diagnostic and interactive control (Simons, 2005). One must however add that in the real world one of the reasons why many organisations fail to achieve successful organisational change and learning through performance management is due to the potential of defensive routines that develop in individuals and even groups when faced with challenging information (Argyris, 1985). This behaviour can have a harmful effect when members of defensive groups reinforce their beliefs, suppress dissent and seal themselves off from those with other views or possible disconfirming evidence (Stermann, 2000).

**Figure 6-4: Model for a Performance Management System**



### 6.2.3 Recommendations for further research

In view of the orientation of the study and of the findings made, there are a number of interesting areas for further research.

Firstly, since the study has been limited to a small group on middle-management level in the South African call centre industry, it would be interesting to contrast the findings obtained with that of the attitudes and opinions of top managers in these institutions as well as other industries in this country.

Secondly, the integration and subsequent validation of the PMSAI and PMA® into an instrument that addresses all the elements as indicated in **Figure 6-4**.

Finally, one of the comments provided by one of the PMSAI respondents was that “Softer issues such as “passion” or “enthusiasm” cannot be easily measured with formal structured performance management”. This indicates the belief that it is easier to measure hard targets, but that “softer” objectives and measures should also be included in a successful PMS. After all, it is not to say that it is less important if it is more difficult to measure. As far as could be



established, this dimension has not really been addressed in academic research on performance management.

## **CHAPTER 7. ARTICLE FOR PUBLICATION**

<td>

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## **APPENDIX A**

### **7.1 MEASUREMENT INSTRUMENT - PMSAI**

### 7.1.1 Introduction to the survey

The purpose of this research is to develop an audit instrument to assess the **effectiveness** of a South African call centre's **Performance Management System**. It wishes to adopt a holistic view to performance management by considering a Performance Management System as the **total system** required to communicate how well an organisation is doing on what is important – thereby including elements such as the methodologies, measures, processes, policies, software etc.

### 7.1.2 Confidentiality

It is an absolute objective of this research to ensure total confidentiality of respondents in order to guarantee the reliability of the result.

### 7.1.3 Research Demographics

#### 7.1.3.1 Respondent Information

- a. Your position in the company

- b. Your time of service in call centres (total number of years)

 Years

- c. Your involvement in the Performance Management System in the call centre

NO INVOLVEMENT	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	EXTREMELY INVOLVED
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- d. Your seniority in the call centre / company

**Please mark the appropriate box with an X**

Executive Management	<input type="checkbox"/>
Senior Management	<input type="checkbox"/>
Middle / Junior Management	<input type="checkbox"/>
Staff member	<input type="checkbox"/>

**Please mark the appropriate box with an X**

- a. Position of the call centre relative to the company (if appropriate)

The call centre is the main business of the company	Yes Go to b	No Go to c
---	----------------	---------------

- b. Name the main industry(s) that this call centre supports?


- c. The turnover of the call centre in the 2004 financial year (in South African Rands)

R	N/A
---	-----

- d. The profit margin (net profit after taxes) of the call centre in the 2004 financial year (as a %)

%	N/A
---	-----

- e. The main business of the call centre is

Telesales / marketing	
Credit management	
Help Desk / product support	
Customer Care	
Other, please name	

- f. How **complex** is the operation of the call centre operation? Are there

RELATIVELY FEW CHANGES (STABLE)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	CONTINUOUS CHANGES (UNSTABLE)
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- g. In terms of the **products/ services** of the call centre itself, are they

HOMOGENEOUS (SIMILAR, STANDARDISED)	O	O	O	O	O	O	O	HETEROGENEOUS (MIXED, DIVERSE)
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## 7.1.4 Questions

### 7.1.4.1 Performance Management System

- Please rate your observation of the **importance** of the issue / element on the **effectiveness of the Performance Management System** on the scale provided (Essential, Important, Unimportant, Undecided)
- Please rate your **actual experience** in terms of the Performance Management System of your Call Centre (Strongly Agree, Agree, Undecided, Disagree, Strongly Disagree)
- Should you be unable or unwilling to rate an item, please indicate so by marking the N/A column

The contribution of this aspect to the effectiveness of Performance Management in this organisation / call centre					Rate how much you agree / disagree with the statement as experienced in your organisation / call centre					
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED		STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	UNDECIDED	N/A
				Responsibilities for achievement of performance targets are clearly defined						
				Responsibilities on performance targets correspond on all levels of the organisation						
				Important things in the business are measured						
				Performance information is reliable						
				Performance information is timely						
				Performance information is consistent						

The contribution of this aspect to the effectiveness of Performance Management in this organisation / call centre					Rate how much you agree / disagree with the statement as experienced in your organisation / call centre					
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Performance information is accessible	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	UNDECIDED	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Performance information is user-friendly	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	UNDECIDED	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Organisational members feel responsible for achievement of their own targets	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	UNDECIDED	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Organisational members feel responsible for achievement of group targets	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	UNDECIDED	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Organisational members use performance information daily to prevent or address problems	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	UNDECIDED	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Communication about performance results takes place regularly	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	UNDECIDED	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Other management systems such as HR and Finance are well-aligned with Performance Management	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	UNDECIDED	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Changes in the organisation are easily accommodated in the Performance Management System	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	UNDECIDED	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Increased focus on Performance Management exist in areas of higher risk / uncertainty in the call centre	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	UNDECIDED	N/A

7.1.4.2 Purpose of the Performance Management System

Please indicate the extent to which the purposes below reflects the purpose of the Performance Management System in your call centre

For responsibility accounting	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
To provide supporting documentation for external reporting	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
To identify possible needs for changes in strategy	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
For decision support on top-management level	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
For decision support on operating level	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
For support in the call centre efforts to enhance quality	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
To provide a better picture of product / service profitability	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
To monitor whether the call centre is creating value to its shareholders	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
For benchmarking with similar business / units	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
To determine the bonuses awarded to management and/or staff	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
To facilitate development of staff in the call centre	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT

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List any purposes of your Performance Management System not indicated above

	NOT AT ALL	O	O	O	O	O	O	O	TO A LARGE EXTENT
	NOT AT ALL	O	O	O	O	O	O	O	TO A LARGE EXTENT

#### 7.1.4.3 Types of Measures

To what extent are the measures (key ratios) listed below used in the call centre to measure performance

The contribution of this measure to the effectiveness of Performance Management in this organisation					Rate to what extent the measures listed are used to measure performance									
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect value to shareholders	Not At All	O	O	O	O	O	O	O	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect profitability	Not At All	O	O	O	O	O	O	O	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect distribution of sales	Not At All	O	O	O	O	O	O	O	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect cost effectiveness	Not At All	O	O	O	O	O	O	O	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect customer satisfaction	Not At All	O	O	O	O	O	O	O	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect reliability of service delivery	Not At All	O	O	O	O	O	O	O	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect market position	Not At All	O	O	O	O	O	O	O	To a large extent	N/A



The contribution of this measure to the effectiveness of Performance Management in this organisation					Rate to what extent the measures listed are used to measure performance									
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect call centre efficiency	Not At All	0	0	0	0	0	0	0	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect process development / level of technology	Not At All	0	0	0	0	0	0	0	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect quality of service	Not At All	0	0	0	0	0	0	0	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect competence of call centre staff	Not At All	0	0	0	0	0	0	0	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect employee satisfaction	Not At All	0	0	0	0	0	0	0	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect innovation in service offering	Not At All	0	0	0	0	0	0	0	To a large extent	N/A
ESSENTIAL	IMPORTANT	UNIMPORTANT	UNDECIDED	Measures that reflect the social responsibility profile of the call centre	Not At All	0	0	0	0	0	0	0	To a large extent	N/A

---

7.1.4.4 Application Level of the Performance Management System

On which level(s) is measurement in the call centre done? Indicate all levels.

Corporate level (if appropriate)	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Call centre level	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Team level	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Individual level	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Process level (across teams / departments)	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Product / Service Level	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Project Level	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT

7.1.4.5 Elements of the Performance Management System

Please indicate the extent to which you agree / disagree with the statements below about **elements** of the Performance Management System in your call centre:

Measures are well defined to promote standardisation of measurement	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Processes to manage performance are visibly adhered to	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Processes exist to plan for performance (objective and target setting)	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Processes exist to measure performance	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Processes exist to trigger improvement of performance based on performance results	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Processes exist to trigger changes in strategy (objectives and targets) based on performance results									
Performance Management is supported by adequate policies and procedures in the call centre	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Proven methodologies are employed by the call centre to manage performance (eg. Balanced Scorecard, KPI hierarchy etc)	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Information Systems are adequately employed to provide performance information	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Roles of HR, line management, staff, project teams are clearly defined in the Performance Management Process	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
Qualified measurement instruments exist to measure subjective criteria such as customer satisfaction etc	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT

The effectiveness of the Performance Management System itself is reviewed with a view on its improvement	NOT AT ALL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	TO A LARGE EXTENT
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		Not effective at all <div>Extremely effective</div>											
1.	How would you rate your overall impression of the effectiveness of the Performance Management System in your organisation	0	1	2	3	4	5	6	7	8	9	10	

2	Have you recently experienced any issues that had a negative impact on your impression of the effectiveness of the Performance Management System in your organisation	<div>Yes</div> <div>Go to 2b</div>	<div>No</div> <div>Go to 2e</div>
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2b. Please give a detailed description of the Performance Management related issues you are referring to.


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2c.	How can these issues be solved in your opinion?

2d. If the problem can not be solved to, please state why you think so.


2e. Please give a detailed description of any positive Performance Management System related events that you have experienced.


Thank you very much for your participation in this research.